SUPREME COURT, U.S.

No. 697 .

FILED
DEC 31 1957
JOHN T. FEY, Clerk

IN THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 7391

SOUTH CAROLINA GENERATING COMPANY,
Petitioner,

v.

FEDERAL POWER COMMISSION and
GEORGIA PUBLIC SERVICE COMMISSION,
Respondents.

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1 . 7393

SOUTH CAROLINA PUBLIC SERVICE COMMISSION,
Petitioner,

v.

FEDERAL POWER COMMISSION and
GEORGIA PUBLIC SERVICE COMMISSION,
Respondents,

Appendix to Brief of Respondent

Federal Power Commission

Part II

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Exhibit 12
R. 1300

POWER CONTRACT

BETWEEN

SOUTH CAROLINA GENERATING COMPANY

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FIRST NATIONAL BANK OF SOUTH CAROLINA OF

COLUMBIA, SOUTH CAROLINA

AND

E. I. DU PONT DE NEMOURS AND COMPANY

M. 1201

This Agreement, dated the 9th day of March, 1954, effective as of the 11th day of January, 1952, by and between E. I. duPont de Nemours and Company, a corporation organized and existing under the laws of the State of Delaware, hereinafter sometimes called "duPont", and South Carolina Generating Company, a corporation organized and existing under the laws of the State of South Carolina, hereinafter sometimes called "Generating Company", the South Carolina Electric & Gas Company, a corporation organized and existing under the laws of the State of South Carolina, hereinafter sometimes called "Electric & Gas", and the First National Bank of South Carolina of Columbia, South Carolina, sometimes hereinafter called the "Bank", as depository trustee,

WITNESSETH THAT:

WHEREAS, duPont has heretofore entered into a contract (No. AT(07-2)-1, effective as of August 1, 1950, which contract, all supplements, amendments and appendices thereto and any substitute therefor, and all supplements, amendments and appendices to any substitute are collectively hereinafter called the "principal contract") with the United States of America, hereinafter known as the "Government" acting through the U. S. Atomic Energy Commission, hereinafter known as "AEC", authorizing duPont, among other things, to design, construct and operate for AEC certain facilities at or near Aiken, South Carolina, hereinafter known as "the Savannah River Plant"; and

WHEREAS, Generating Company proposes to construct a

steam electric generating station to be known as Urquhart Station on the South Carolina side of the Savannah River at or near Beech Island, southeast of Augusta, Georgia, which will have a capacity of 150,000 KW, consisting of a first 75,000 KW unit which is planned to be in operation by December 14, 1953, and a second 75,000 KW unit which is planned to be in operation by February 10, 1954, subject to delays beyond the control of Generating Company; and

WHEREAS, duPont is desirous of purchasing for use at the Savannah River Plant, electric capacity and energy from the Urquhart Station of Generating Company, under the terms and conditions hereinafter set forth; and

WHEREAS, Electric & Gas and Generating Company have been performing pursuant to a letter of intent from duPont dated January 11, 1952, accepted by Electric & Gas and Generating Company on January 23, 1952, and approved by AEC on February 7, 1952; and

WHEREAS, it is contemplated that this agreement will be pledged as collateral security by the Generating Company to Mellon National Bank and Trust Company, as Trustee, under an Indenture further securing First Mortgage Bonds of the Generating Company,

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter contained, the electric service to be furnished and the sums of money to be paid, said parties hereto for themselves, their successors and assigns, hereby agree with

each other, each party agreeing only to do those acts, or to be bound only by those things, which that particular party specifically agrees to do, or by which that particular party specifically agrees to be bound, as follows:

ARTICLE I
FACILITIES TO BE PROVIDED

Section 1.01 Generating Station: Generating Company will proceed expeditiously with the design, purchase and construction, and operation and maintenance of its Urquhart steam electric generating station, to consist of two 75,000 KW turbo-generators, as more fully described in Exhibit "A", together with necessary auxiliary equipment, step-up substation and switching facilities, at the location described above, said station and additional facilities being sometimes hereinafter referred to as the "Urquhart Station", and it is specifically understood that when hereinafter used the words "Urquhart Station" shall have that meaning only; and Generating Company hereby agrees to exert its best efforts to have both units in commercial operation on the dates aforesaid.

Section 1.02 Transmission Facilities: Electric & Gas will proceed expeditiously with the design, construction, operation and maintenance of a single 115 KV transmission line to deliver the electric energy herein contracted for to be delivered by the Generating Company to duPont, said line to be constructed from the 115 KV switchyard of the Generating Company to a mutually acceptable terminal delivery point on the project site, at which

point duPont will furnish, without cost to Generating Company or Electric & Gas, the necessary terminal facilities.

Section 1.03 Changes in System of Electric & Gas: Electric & Gas will proceed to make such changes and improvements in its system as were outlined in its schematic diagram #SS-2217 (dated September 18, 1951), excluding the switchyard of the Generating Company located at the Urquhart Station, which diagram was attached to its letter dated September 18, 1951. Such changes are now fully shown and delineated in Exhibit "B" hereto.

Generating Company and Electric & Gas will also establish or cause to be established interconnections between the Station and the system of Electric & Gas, by means of which there will be afforded additional security of service to the Savannah River Plant from the system of Electric & Gas.

Section 1.04 Ownership of Facilities: All facilities provided by Generating Company in accordance with Section 1.01 shall be the responsibility of Generating Company and shall be and remain the property of Generating Company; all facilities described in Section 1.02 and Section 1.03 shall be and remain the property of Electric & Gas and all facilities beyond the point of delivery shall be the responsibility of duPont and shall be and remain the property of AEC.

Section 1.05 Easement on Project Property: DuPont will secure from AEC, free of cost to Electric & Gas a grant of easements or rights-of-way, together with rights of ingress, egress,

and access, subject to provisions of Section 6.12 hereof, as may be necessary for Electric & Gas to fulfill its responsibilities hereunder for the installations, testing, maintenance, and operation of facilities in or upon the Savannah River Plant. This easement shall be limited in duration to the life of the contract plus one year.

Section 1.06 Construction and Operation in Prudent Manner: Generating Company shall construct and operate the Urquhart Station, and Electric & Gas shall construct and operate the new transmission facilities herein referred to in a careful, prudent, and efficient manner, to the end that the quality and continuity of service furnished to the Savannah River Plant shall be excellent and that all operating and transmission costs which affect the rate to the Savannah River Plant shall be at a minimum consistent therewith.

Section 1.07 Construction of Additional Capacity: Generating Company may, if it so desires, increase the generating capacity at the site of the Urquhart Station by adding a unit or units in addition to those described in Section 1.01 and Exhibit "A" but any such additions shall not affect this agreement except to the extent herein specifically provided.

Section 1.08 Portion of Capacity of Urquhart Station Allocated to Savannah River Plant: Of the 150,000 KW capacity of the Urquhart Station, 30,000 KW is allocated to the Savannah River Plant, subject to the provisions hereinafter set forth.

Section 1.09 Maintenance of Turbo-Generators, Boilers

and Accessory Equipment: Generating Company agrees to maintain its turbo-generators, boilers, condensers and accessory equipment essential to the operation of Urquhart Station throughout the term of this agreement in such manner as to insure operation of all such equipment at full load, except during periods of outages for inspection and maintenance, or as a result of failure of such equipment. It is the intention of the parties that such equipment shall be taken out of service for maintenance and inspection at times when it is least likely to be needed in service. In event of failure of any such equipment, Generating Company agrees to replace or repair such equipment so as to restore it to service as quickly as possible, and Electric & Gas agrees to supply the deficiency in such electric service unless such deficiency results from one or more of the causes set forth in Article VI, Section 6.04, hereunder.

Section 1.10 Delivery Equipment: All necessary apparatus at Urquhart Station, such as high voltage switches, metering, communication, telemetering, and protective equipment required to deliver electric capacity and energy as herein provided shall be installed by Generating Company.

Section 1.11 Insurance: Generating Company shall carry insurance to protect the Station from loss or damage, and to protect Generating Company against claim or damage to employees, other persons or property, the insurance to be carried to be that regarded as proper and reasonable by electric utility operating companies. Generating Company agrees to furnish annually its

insurance program to duPont. The cost of such insurance shall be included in expenses used in determining the capacity charge.

ARTICLE II
USE OF FACILITIES AND DELIVERIES OF POWER

Section 2.01 Delivery Point: Electric energy shall be delivered to duPont at a terminal point on the Project site as has been mutually determined by duPont and Electric & Gas; such point is hereby designated and hereinafter referred to as the "delivery point". Provided, however, that the measurement of energy for purposes of payment and computation shall be as indicated hereunder in Section 2.02, and duPont shall pay for all line losses between the point of metering and the delivery point.

It is understood and agreed that the transmission line from the Urquhart Station to the "delivery point" shall be used solely to transmit electric capacity and energy between the Urquhart Station and the delivery point, and that no power user other than the Savannah River Project will be connected thereto.

Section 2.02 Metering: Metering of the electric demand and of the electric energy to be delivered to duPont herein referred to shall be at the Urquhart Station sub-station at approximately 115 KV.

Section 2.03 KW Contract Demand: The term "KW Contract Demand" shall mean 30,000 KW. Upon notice to duPont on or after January 1, 1954, that the second unit of the Station is ready for commercial operation, Generating Company agrees at all times to make available, as herein provided, to duPont and duPont agrees, as herein provided, to take, at the metering point, its

KW Contract Demand, or any portion thereof scheduled by duPont.

Section 2.04 KVA Demand: While taking 30,000 KW duPont shall be entitled to take up to 34,500 KVA. In event duPont desires to schedule KW deliveries below its KW Contract Demand, and if such reduction in demand is not taken and paid for by Generating Company under subsection (g) of Section 3.02, of Article III hereof, duPont may take the full amount of reactive KVA made available by such reduction in its KW receipts.

Section 2.05 Character of Energy: The electric energy to be furnished hereunder shall be of the character commonly known as three-phase alternating current at approximately 60 cycles per second and at an average voltage of 117 KV at Urquhart Station bus. It is the intent of Generating Company to operate this bus voltage within the limits of 115 to 120 KV. Every reasonable effort will be made by both Generating Company and duPont, when duPont elects to operate in parallel, to operate their respective systems within these limits.

Section 2.06 Other Equipment: If duPont desires special 115 KV voltage regulating, communication or control apparatus at the Station for use in connection with the receipt of electric energy hereunder, Generating Company agrees to provide space for the installation of such apparatus. Representatives of duPont shall at all times have access to tne premises of Generating Company's Urquhart Station for the purpose of inspection and maintenance of such apparatus. DuPont may at any time at its option and expense remove any of the facilities installed

under this Section 2.06 from Generating Company's property.

ARTICLE III
RATES AND CHARGES

Section 3.01 Basis: Payment shall be made monthly on the basis of a capacity charge plus an energy charge.

Section 3.02 Capacity Charge: The capacity charge shall be at the base rate of nineteen dollars ($19.00) per year per kilowatt of Contract Capacity hereunder, starting on January 1, 1954, or as soon thereafter as duPont is notified that the second unit is ready for commercial operation, whichever is later, subject to adjustment as follows:

(a) For any fraction of a year, the capacity charge shall be determined thus: For each calendar month, one-twelfth of the annual capacity charge: and for each part of a calendar month, that proportion of one-twelfth of the annual capacity charge which the part of the calendar month under consideration bears to the whole of said month.

(b) Generating Company shall, if it shall hereinafter install at the site of the Urquhart Station any turbo-generator in addition to those described in Section 1.01 and Exhibit "A", reduce the plant cost of the Station by $581,000.00, representing the mutually agreed upon amount of investment in the Station which is expended solely to provide for additional turbo-generators, and the capacity charge provided for in Section 3.02(c) shall be adjusted in accordance with the formula set forth below, effective as of the date the Capacity Charge first becomes due.

(c) The base rate of the capacity charge has been calculated to include certain fixed charges for financing, such as interest, amortization and eight per cent (8%) return on equity capital, the total of which will amount to $1,576,240 per year based on an estimated total expenditure as follows:

For Plant Cost	$23,400,000
For Working Capital including coal stocks	1,000,000
	$24,400,000

Plant cost of the Station shall consist of the cost of the direct production facilities, the step-up substation and switching facilities at the Station and any related general plant investment, all as defined by the Federal Power Commission Uniform System of Accounts prescribed for public utilities and licensees as in effect at the date hereof (hereinafter called the "Uniform System of Accounts").

Working capital shall consist of the investment in materials and supplies applicable to the ownership and operation of the Station and properly includable in Account 131.1 of the Uniform System of Accounts, including coal stocks not in excess of 100,000 tons, plus an amount equal to one-sixth of the total annual operating expenses, excluding taxes, depreciation and amortization, of Generating Company which are applicable to the ownership and operation of the Station as shown on the books of Generating Company.

The estimated annual fixed charges of $1,576,240 amount to approximately $10.50 per kilowatt based upon 150,000 KW

capacity. In the event the total expenditure for items shown in this Section 3.02(c) exceeds the estimated total of $24,400,000, the capacity charge shall be increased at the rate of one (1) cent per KW-year for each one-tenth of one per cent (1/10%) increase in such total expenditure. In event such total expenditure is less than $24,400,000, the capacity charge shall be decreased at the rate of one (1) cent per KW-year for each one-tenth of one per cent (1/10%) decrease in such total expenditure.

The adjustment in capacity charge provided in the preceding paragraph, in so far as it is affected by plant cost, shall be determined as soon as such final expenditure figures are available, but not more than twelve (12) months after the second unit is placed in commercial operation, and shall be retroactive to the date electric capacity and energy are first delivered to duPont hereunder.

The adjustment in capacity charge provided for in the second preceding paragraph, insofar as it is affected by working capital, shall be determined at the beginning of each calendar year, applicable for the ensuing calendar year, as the average of the month-end balances during the preceding calendar year of the investment in materials and supplies as defined above, plus an amount equal to one-sixth of the operating expenses for the preceding calendar year as defined above; provided however, that for the period between the beginning of commercial operation and the end of the first full calendar year thereafter, working capital shall be considered as $1,000,000, subject to retroactive

adjustment for any difference between such estimate and the working capital as computed in accordance with the above procedure.

In case additional expenditures applicable to the plant cost of the Station are made during the term of this agreement by Generating Company to improve efficiency, to utilize other fuels, to replace equipment, including replacements occasioned by casualties not reimbursed by insurance or otherwise, or for other purposes to be mutually agreed upon, such expenditures shall be added to those set forth above, in this Section 3.02(c), provided that such expenditures are chargeable to Plant Account under the Uniform System of Accounts, and the capacity charge shall be adjusted at the end of each month in accordance with the formula set forth above, to apply from the beginning of the ensuing month.

(d) The total capacity charge also includes expenses related to the ownership of the Urquhart Station, the maintaining of an operating organization, and the performance of all corporate, legal, administrative and general functions which may be appropriate in the premises, in a total estimated annual amount of $720,000 for such expenses, including taxes other than those covered in Section 3.03. These annual expenses have been estimated as follows:

1.	Federal, State and Local Taxes	$460,000
2.	Administrative and General Expense	60,000
3.	Operating Supervision and Labor	200,000
		$720,000

The above expenses are limited to those applicable to

the ownership and operation of the Station and chargeable under the Uniform System of Accounts to Account 507, and the accounts for Production expenses, Transmission Expenses, and Administrative and General Expenses, exclusive of those amounts covered in Section 3.03.

These estimated annual expenses of $720,000 amount to approximately $4.80 per KW based upon 150,000 KW capacity. In event these annual expenses, actual or computed as herein provided, exceed the estimated total of $720,000 for any calendar year, the capacity charge shall be increased at the rate of one cent per KW year for each two-tenths of one per cent (2/10%) increase in such total expenses. In event these expenses for any calendar year fall below $720,000, the capacity charge shall be decreased at the rate of one cent per KW year for each two-tenths of one per cent (2/10%) decrease in such total expenses.

Taxes shall be included in the determination of the annual expenses in this sub-section 3.02(d) for the purpose of establishing the adjustment in the preceding paragraph, to the extent and in the manner prescribed in Section 3.04.

The adjustment in capacity charge provided for above in this Section 3.02(d) shall be made as soon as possible after the close of each calendar year, and shall be retroactive to the beginning of said calendar year; and such adjusted annual rate of capacity charge shall become the basis of billing during the ensuing calendar year, subject to adjustment as above at the end of such calendar year. Nothing herein shall prevent the parties

hereto from agreeing upon a further adjustmemt in rate for any or all of the intervening months, subject to the year-end adjustment herein provided.

(e) It is recognized by the parties hereto that the foregoing capacity charge of $19.00 per KW per annum is composed of two principal parts, namely, a constant part of $3.70, and a fluctuating part of $15.30. ~~This~~ part of $15.30 it is recognized, is based on certain estimated costs as stated in the foregoing paragraphs of this Section 3.02, and is subject to variations as these costs fluctuate, all as stated in this Agreement. The $3.70 part, however, remains constant and is added to the fluctu - ating part.

(f) Generating Company shall advise duPont in writing the date on which the second unit shall be ready for commercial operation.

(g) If for any calendar month any portion of the contractual capacity of 30,000 KW is not used by duPont, and such capacity is used for that month by Generating Company, Generating Company will credit duPont with 40 cents per KW-month for each KW not used during that calendar month by duPont but used by Generating Company.

(h) In addition to the $19.00 KW-year capacity charge as shown in paragraph (e) of this Section 3.02, there will be an additional annual capacity charge equal to fifteen per cent (15%) of the total cost of the transmission line between the Station and the point of delivery to the Project. "Total cost of the

transmission line" shall include all costs relating thereto, including but not limited to cost of acquiring and clearing rights-of-way, materials, labor, etc.

Payment of this additional annual capacity charge shall begin immediately upon completion of this line or the readiness of the first unit for commercial operation, whichever date is the later, but not before January 1, 1954.

Section 3.03 Energy Charge: (a) The energy charge, for energy furnished each month under the provisions of this agreement, shall be (1) a proportionate part of Generating Company's expenses for fuel and maintenance not reimbursed by insurance which are applicable to the Station and are properly chargeable to Accounts 703, 706, 707, 708, 709, 747, 748, 749, 750 and 751 of the Uniform System of Accounts in the proportion for each month as the kilowatt-hours taken by duPont, plus associated step-up transformer losses to be determined from manufacturer's test data and other related factors, bear to the total net kilowatt-hours generated by the Station, plus (2) any taxes associated with or attributable to transactions or charges under this Section 3.03(a), to the extent and in the manner prescribed in Section 3.04.

To avoid possible inequities in the foregoing proportionate determination of maintenance expense entering into the energy charge month by month, an adjustment of such energy charge shall be made at the end of each calendar year so that duPont shall, for such annual period, pay that proportion of the total

maintenance expense for such period as the kilowatt hours taken during such annual period by duPont, plus associated step-up transformer losses, bear to the total net kilowatt-hours generated during such annual period by the Station. Net kilowatt-hours generated is defined as total gross generation of the Station, less energy required in the operation of the Station.

If Generating Company increases the generating capacity at the site of the Urquhart Station as provided in Section 1.07, the fuel costs used in determining the energy charge shall be based on the average cost of all fuels used by all units in the plant.

(b) Whenever the Generating Company is unable to produce, at its generating Station, the entire contract demand required by duPont under this agreement, and supplemental power is obtained by the Generating Company from Electric & Gas for such purpose, the energy charge per kilowatt hour for such supplemental power shall be the weighted average fuel cost plus fifteen per cent (15%) for all of Electric & Gas's fuel plants for the month during which such supplemental power is supplied.

(c) If and when Generating Company shall install at the site of the Urquhart Station any turbo-generator in addition to those described in Section 1.01 and Exhibit "A", operating expenses will be allocated on the basis set forth in Exhibit "C" hereto, on and after the date upon which the said third unit goes into commercial operation.

Section 3.04 Taxes:

(A) Energy Charge: The tax component to be included

with other expenses for allocation (in the ratio of kilowatt-hours) in the energy charge, under Section 3.03(a) shall:

(1) Include only such taxes as are affected by the volume of output of electric energy from the Station or activities or transactions related thereto, such as all taxes, licenses and levies which are or may be levied, or imposed upon or payable by Generating Company by reason or on account of the production, generation, transmission, sale or delivery of electric energy, including taxes on the purchase, use, delivery or other transactions or events relating to fuel used in the production of electric energy (to be accounted for and charged for as a component of fuel cost) and relating to materials, supplies and equipment used in maintaining the Station (to be accounted for and charged for as a component of maintenance cost) and all taxes on or measured by gross receipts or gross revenues realized from the energy charge under Section 3.03(a), excluding, however,

(a) All taxes, licenses and levies measured by or imposed on net income, net operating income, or excess profits; and

(b) All payroll and employment taxes, and

(2) Be in an amount equal to all taxes covered by Section 3.04(A)(1), including any pyramiding of such taxes which shall result from the inclusion of the tax component in the receipts or revenues to be derived from the energy charge under Section 3.03(a).

(B) Capacity Charge: The tax component to be included, in lieu of the estimated annual taxes of $460,000, in determining the total annual expenses for allocation (in substantially the ratio of contract demand to Station capacity) in the capacity charge, by means of adjustments prescribed in Section 3.02(d), shall:

(1) Include all taxes, licenses and levies which are or may be levied, or imposed upon or payable by Generating Company except to the extent that the amount of any tax has been included in the tax component ir Section 3.04(A) or is chargeable to Plant Account under the Uniform System of Accounts, and

(2) Be in an amount equal to all taxes covered by Section 3,04 (B)(1), including any pyramiding of such taxes which shall result from the inclusion of the tax component in the receipts or revenues to be derived from the capacity charge under Section 3.02(d).

(C) Taxes on Income: In determining the amount of any tax on or measured by net income, net operating income or excess profits, to be included in the tax component pursuant to the provisions of Section 3.04(B), the following adjustments shall be made:

(1) The gross base or measure of such tax shall be limited to the gross revenues of Generating Company from the energy charge and the portion of the capacity charge referred to in Sections 3.02(c) and 3.02(d) payable by duPont and

amounts in respect of the same items payable by any other purchaser of power from Generating Company. In the event the charges of Generating Company to any purchaser of power on account of the energy charge and the items included in the portion of the capacity charge referred to in Sections 3.02(c) and 3.02(d) hereof, should be at rates greater or less than the charges on account thereof made to duPont for the same period, there shall nevertheless be included in the gross base or measure of the taxes referred to in this Section 3.04(C)(1) an amount on account of such sales based on the rates charged duPont for said period, determined in the case of the energy charge on a per KWH basis and in the case of the capacity charge on the basis of the charge per KW year of KW Contract Demand.

(2) In the case of any such tax in respect of which depreciation and interest shall be allowed as deductions, the amortization and interest included in any taxable period in the financing charges under Section 3.02(c) computed as 87.6161% of the capacity charge made under Section 3.02(c) shall be substituted and used in lieu of the depreciation and interest allowed as deductions to Generating Company for such taxable period in determining such tax, provided however, that in the case of any tax in respect of which either depreciation or interest (but not both said items) shall be disallowed as a deduction, such amortization or interest included in said financing charges shall

be substituted and used in lieu of depreciation allowed or the interest allowed, as the case may be, in determining such tax.

(3) There shall not be taken into account deductions and losses attributable to debt retirement, refinancing, casualties and abandonments, and other expenses or deductions not attributable to or used in determining the charges to duPont under Sections 3.02(d) and 3.03(a), and the carry-over and carry-back of losses, deductions, unused credits, and other adjustments.

(4) The amount of such tax liabilities shall be determined on a separate return basis.

(D) Exemptions, Apportionment and Preferential or Discriminatory Taxation: In the event that a portion of the gross revenues, property, purchase price, or other base or measure of any tax shall be exempt from any tax due to the nature of the use or ownership of property, or the exempt character of the transaction, or the exempt nature of the purchaser or user, or purchase or use, of electric energy or similar exemptions (or shall be reduced by allocation or apportionment), such tax shall, in determining the amount thereof to be included in the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B). be computed as if the entire measure of Generating Company's base for such tax for the taxable period is exempt (or is reduced by allocation or apportionment) in the proportion that the measure thereof applicable to transactions or dealings with or receipt

from or otherwise attributable to duPont shall be exempt (or shall be reduced by allocation or apportionment), provided, that in the case of graduated rates, the average rate shall be applied to the said base or measure, as provided in Section 3.04(E).

In accordance with this Section 3.04(D), it is recognized by the parties that to the extent energy sold under this agreement for the operation of the Savannah River Plant is exempt from the South Carolina tax on the generation and sale of power (Article 1, Title 65, 1952 Code of Laws of South Carolina, as amended, and Resolutions of the State Budget and Control Board dated June 11, 1951 and March 1952), such tax shall not be included in the tax component provided by Section 3.04(A).

This Section 3.04(D) shall apply to preferential, discriminatory or special taxation applied to particular persons, property or transactions, but shall not apply to general exemptions such as the elimination from the base of a tax of a minimum amount of revenues or income.

(E) Graduated Rates: In determining the amount of any tax, other than taxes on or measured by net income, net operating income or excess profits, to be included in the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B), each such tax shall be deemed to be imposed at a level average rate, which shall be the effective rate of such tax as applied to the entire measure of Generating Company's base for such tax for the taxable period.

(F) Applicable Tax Period: In determining the amount

of any tax to be included in the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B), such taxes shall be determined by reference to the base or measuring period, it being the intention of the parties that in the event a tax is imposed on a privilege, franchise, or other subject for a period which differs from the period by which the base or measure thereof is determined, the tax shall be deemed, for purposes of this agreement, to be applicable with respect to the base or measuring period.

(G) Deductible Taxes: If, in computing the amount of any tax, another tax is deductible or may be offset or credited, the amount thereof to be considered deductible, offset or credited, in determining the tax component to be included pursuant to the provisions of Sections 3.04(A) and 3.04(B), shall be subject to the provisions of Sections 3.04(C), 3.04(D), 3.04(E) and 3.04 (F).

(H) Adjustment for Prior Years: The determination of the amount of any tax included in the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B) for any prior year shall be subject to adjustment in respect of any tax applicable to such year at the time such tax is subsequently required to be paid to a taxing authority by Generating Company and also upon the final determination of the amount of such tax liability made by Generating Company with the taxing authority, whether by settlement, litigation or otherwise. The amount of the tax component for such prior period shall be recomputed as provided by this

Section 3.04 so as to consider, where applicable, the amount of such taxes so to be paid, or as thus finally determined, together with any interest and penalties thereon. DuPont shall promptly pay to Generating Company the amount of the additional energy and capacity charges payable for said period as thus recomputed and Generating Company shall promptly pay to duPont the excess of the amounts theretofore paid by duPont for such period over the energy and capacity charges, as thus recomputed. Generating Company shall have the sole and exclusive authority in its own absolute discretion to settle or otherwise dispose of any or all of its tax liabilities.

(I) Additional Generating Units: In the event that Generating Company should own or operate any power generating facilities other than the Station, or own property or conduct a business not related to the business of generating and selling electricity, the taxes, licenses and levies of Generating Company which shall be taken into account in determining the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B) shall be only such taxes, licenses and levies as are attributable to the ownership and operation of the Station. The taxes, licenses and levies of Generating Company attributable to such ownership and operation of the Station shall be the sum of:

(1) All taxes, licenses and levies of Generating Company which are specifically applicable or are allocable to the Station, including but not limited to ad valorem taxes, payroll and employment taxes with respect to employees

working exclusively at the Station and levies on gross receipts and gross revenues derived from sales of power at said Station; plus

(2) Taxes on or measured by net income, net operating income, or excess profits, as determined under Section 3.04 (B);

(3) A fair and equitable portion of all other taxes, licenses and levies to which Generating Company is or may be subject, by reason of engaging in the business of generating and selling electricity or owning property employed therein.

Section 3.05 Review of Practices and Procedures: While it is recognized that the operation of the facilities referred to in Sections 1.01, 1.02 and 1.03 of this agreement are the responsibility of Electric & Gas and Generating Company, the costs thereof have a direct relation to the cost of power furnished Savannah River Plant under this agreement, and, accordingly, duPont may from time to time review with the Companies their operating plans, practices and procedures, and make recommendations with respect thereto which in duPont's judgement may provide for economy in operation and the companies will adopt such recommendations of duPont as the companies may mutually agree upon with duPont.

Section 3.06 Statements, Audits and Inspection: Generating Company shall furnish to duPont statements in reasonable detail as to all items entering into the determination of capacity charges and energy charges, and such statements shall be

certified by an officer of Generating Company. Generating Company shall furnish to duPont annually a copy of an audit of its books and accounts for the preceding year made by an independent auditor. DuPont and/or AEC shall have access at reasonable intervals to the pertinent books and records of Generating Company and Electric & Gas and the right to audit the same annually, and shall have access to the Urquhart Station for the purpose of inspection.

The Bank, Generating Company and South Carolina Electric & Gas Company agree that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three (3) years after payment under this contract, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Bank, Generating Company and Electric & Gas involving transactions relating to this contract. Nothing in this contract shall be deemed to preclude an audit by the General Accounting Office of any transaction under this contract.

ARTICLE IV
BILLING AND PAYMENT

Section 4.01 Presentation and Payment. Generating Company shall render to duPont on or about the 10th day of each month a written bill for the amount due it by the terms of this Agreement for the preceding calendar month; and as adjustments in charges are determined from time to time hereunder, Generating Company shall promptly render a written bill or credit memorandum for the amount due it or duPont, respectively. All such bills or credit memoranda shall be due and payable by duPont or Generating Company, respectively, within twenty days after

rendition.

All amounts payable to Generating Company by duPont shall be paid directly to the Generating Company, at its main office, unless and until duPont shall receive from the Bank written notice specifying and demanding that payment of all amounts so payable be thereupon and thereafter paid to the Bank. Upon receipt of such notice duPont hereby agrees that all such payments shall thereupon be paid to the Bank until duPont shall have received from the Bank a further notice specifying and demanding that payment of any such amounts shall be made to the person therein specified. Such notices as are contemplated by this paragraph of Section 4.01 may be given from time to time by the Bank, but in no event prior to the time that this contract is pledged as collateral security for the purposes stated in Section 6.07. Any payments made by duPont under direction of the Bank, as herein provided, shall constitute as full satisfaction of the obligation of duPont with reference thereto as if such payments had been made directly to Generating Company.

Section 4.02 Remedies: If duPont shall fail to pay any bill within twenty (20) days after the same is rendered interest at the rate of six per cent (6%) per annum shall run from the time such payment was due, to-wit: the 20th day after the rendition of such bill.

ARTICLE V
METERING

Section 5.01 Metering Equipment: There shall be provided by Generating Company at the Urquhart Station such metering

equipment as may be necessary to measure accurately the electric capacity and energy to be furnished hereunder. Said metering equipment, including generator and station service meters, shall at all times be kept accurate within one per cent (1%) and Generating Company shall read such meters as often as required by duPont but not oftener than once every hour, and shall thereupon transmit such readings to duPont. All measuring instruments shall be of a make and type to be agreed upon by a representative of each of the parties hereto duly appointed for such purpose. All measuring instruments pertaining to billing shall be sealed and shall be opened only in the presence of an authorized representative of each party hereto and all such instruments shall be tested by such representatives upon request of either party to the other, but at least once every six months. If, as a result of such test, any instrument or instruments shall be found to be inaccurate, it shall be restored to a condition of accuracy satisfactory to such representatives or replaced by a new instrument or instruments satisfactory to such representatives. If the inaccuracy of any instrument shall exceed one per cent (1%) then the readings of such instruments previously taken and all charges based thereon, shall be corrected on the basis of said test, but not for more than thirty (30) days prior to the date of test, nor prior to the date within such thirty (30) days upon which such meters have been proven or agreed to be accurate.

DuPont shall have the right to install, at its sole expense, duplicate instruments for checking, and space for the

installation of such instruments shall be provided by Generating Company. Representatives of duPont shall at all times have access to the premises of Generating Company for the purpose of inspection or maintenance of such metering equipment of duPont. Generating Company shall have the right to test for accuracy such duplicate instruments at reasonable intervals.

If either party shall at any time discover that any instrument either original or duplicate, registers inaccurately, or fails to register, then such party shall forthwith so notify the other party in writing. In the event of stoppage of an original instrument in respect to which no duplicate has been installed, or of both the original and duplicate instruments, the amount of electric capacity and energy furnished during the period of such stoppage shall be determined from any instrument readings or other data which may be available and applicable for the purpose, and such determination shall be used for billing hereunder.

Section 5.02 Records: Generating Company shall keep in duplicate a continuous log record of the operation of Urquhart Station on which shall be recorded at the end of every one (1) hour period the readings of all meters and instruments pertaining to the delivery of and billing for electric capacity and energy furnished by it to duPont hereunder. There shall also be recorded in such records a brief statement giving complete detailed facts in so far as possible as to any interruption or other unusual events affecting service. One set of said dupli-

cates shall be mailed each day by Generating Company to duPont at Savannah River Plant.

ARTICLE VI
MISCELLANEOUS

Section 6.01 Responsibility and Indemnification: Neither Generating Company nor Electric & Gas shall be responsible for electric capacity and energy after delivery by it to duPont at the delivery point. Each party hereto expressly agrees to indemnify and save harmless the other against all claims, demands, costs or expense for loss, damage, or injury to persons or property in any manner directly or indirectly connected with or growing out of the generation, transmission or use of electric capacity and energy on its own side of the delivery point hereunder; provided, however, that each party hereto, in so far as any other party hereto is concerned shall in all cases be responsible for damage or injury to its own employees while such employees are on duty, or are on property preparatory to assuming their duties or leaving them, and each party expressly agrees to indemnify and save harmless the other from all claims of such employees, except where the same shall be considered as part of the cost used in determining charges for capacity and energy under Article III.

Section 6.02 Operating Instructions: Generating Company agrees to comply with the reasonable operating instructions of duPont with regard to electric capacity and energy to be supplied under this agreement, and, at all times, to follow the reasonable instructions of duPont in operating the switches and

other apparatus controlling the electric capacity and energy to be supplied hereunder.

Section 6.03 Notice of Failure: In event of the failure of or injury to any apparatus of Generating Company, affecting its ability to supply service in accordance with the terms of this agreement, Generating Compan shall give immediate notice by telegraph or telephone, to the operating headquarters of duPont at Savannah River Plant.

Section 6.04 Force Majeure: In case either party hereto should be delayed in or prevented from performing or carrying out the agreements, covenants and obligations made by and imposed upon said parties, or either of them, by this contract by reason of or through strike, stoppage in labor, failure of contractors, suppliers of material, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any Court or Judge granted in any bona fide adverse legal proceedings or action, order of any civil authority, or military either de facto or de jure, explosion, act of God, or the public enemies, or any cause reasonably beyond its control, and not attributable to its neglect, then, and in such case or cases, such period of delay or prevention shall not be reckoned or accounted as a part of the time within which such party was to perform and carry out the same, and the days, dates, times and periods (other than the expiration date of this Agreement) mentioned in this contract shall be extended for a period proportionate to such delay or prevention, nor shall such period

relieve duPont of paying the capacity charge as above set forth in Section 3.02; provided, however, that the party or parties suffering such delay or prevention shall use all reasonable diligence to remove the cause or causes thereof, and either party claiming an extension of time hereunder shall immediately give to the other written notice of such claim.

It is, of course, understood and agreed, however, that Generating Company will exert every effort to assure the continuity of supply of the duPont contract demand to duPont and when that amount of power is not available because of the foregoing causes, Generating Company will endeavor upon request of [illegible] power from others at just and reasonable [illegible].

Section 6.05 Regulation: Both parties recognize the fact [illegible] agreement, together with all the terms thereof, may be or may become subject to approval, change, or modification by certain agencies of the Federal Government and of the State of South Carolina charged with the regulation of electric utilities, and no part of this agreement which is, or which shall later become, contrary to any valid rule, regulation, order, or decree of any such agencies shall be binding upon the parties hereto during the period any provision hereof is contrary to any such valid rule, regulation, order, or decree.

Section 6.06 Assignability: This contract shall bind the parties hereto, their successors and assigns, but no assignment hereof shall in any event relieve duPont, Electric & Gas

or Generating Company of any of their obligations hereunder except that an assignment by duPont to the Government shall relieve duPont of its obligations hereunder.

Section 6.07 Hypothecation: The parties hereto agree that this agreement may be pledged as collateral security for the payment of First Mortgage Bonds issued by Generating Company pursuant to its corporate Indenture.

Section 6.08 Agreement under the Contract: Notwithstanding any pledge of this contract as collateral security by Generating Company or the fact that the Bank is a party hereto, duPont and Generating Company are authorized to make any and all agreements contemplated by the several provisions of this contract or required in working out the operation or financial details thereof or construing or interpreting any provisions thereof without the consent of any pledgee or the Bank. No such agreement, however, shall, without the consent of such pledgee and of the Bank, be made with respect to the provisions of Sections 1.01, 6.06 or 7.01, or shall change the basic formulas for the computation of capacity or energy charges, or tax components set forth in Section 3.02 through Section 3.04 inclusive, or affect the rights of the Bank under Section 4.01.

Section 6.09 Restriction on Employment: In the performance of their obligations hereunder, neither Generating Company nor Electric & Gas shall employ any person undergoing sentence of imprisonment at hard labor.

Section 6.10 Interests of Others: No member of or

delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this agreement or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this Agreement if made with a corporation for its general benefit.

Section 6.11 Anti-Discrimination: Generating Company and Electric & Gas, in performing the work required by this Agreement, shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin. See Executive Order No. 9346, dated May 27, 1943.

Section 6.12 Security Clauses:

1. Contractor's Duty to Safeguard Restricted Data, Etc. In the performance of the work under this contract the Generating Company and Electric & Gas shall, in accordance with the Commission's security regulations and requirements, be responsible for safeguarding restricted data and other classified matter and protecting against sabotage, espionage, loss and theft, the classified documents, materials, equipment, processes, etc. as well as such other material of high intrinsic or strategic value as may be in the possession of the Generating Company or Electric & Gas in connection with performance of work under this contract.

2. Regulations: The Generating Company and Electric & Gas agree to conform to all security regulations and requirements of the Commission.

3. Definition of Restricted Data: The term "restricted data", as used in this article, means all data concerning the

manufacture or utilization of atomic weapons, the production of fissionable material, or the use of fissionable material in the production of power; but shall not include any data which the Commission from time to time determines may be published without adversely affecting the common defense and security.

4. Security Clearance of Personnel: Except as the Commission may authorize, in accordance with the Atomic Energy Act of 1946, as amended, the Generating Company and Electric & Gas shall not permit any individual to have access to restricted data until the designated investigating agency shall have made an investigation and report to the Commission on the character, associations, and loyalty of such individual and the Commission shall have determined and advised the Generating Company and Electric & Gas that permitting such person to have access to restricted data will not endanger the common defense or security. As used in this paragraph the term "designated investigating agency" means the United States Civil Service Commission or the Federal Bureau of Investigation, or both, as determined pursuant to the provisions of the Atomic Energy Act of 1946, as amended.

5. Criminal Liability: It is understood that disclosure of information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to safeguard any restricted data or other information classified "top secret", "secret", or "confidential"defense information that may come to the Generating Company and Electric & Gas or any person under Generating Company's and Electric & Gas's control

in connection with work under this contract, may subject Generating Company and Electric & Gas, their agents, and subcontractors to criminal liability under the laws of the United States, (See the Atomic Energy Act of 1946, 60 Stat. 755, as amended, Title 42, U.S.C., Sec. 1801 et seq. See also Title 18, U.S.C. Sec. 791-797 and Executive Order 10104 of February 1, 1950, 15 F. R. 597).

6. Employment of Aliens: The Generating Company and Electric & Gas will not permit any alien employed or to be employed by it to have access to the Savannah River Plant or to the classified drawings, specifications and accompanying enclosures relating to the performance of the work, or to the classified models or material referred to therein, or to the engineering principles, composition, subassemblies, or assemblies which are classified and vital to the functioning or use of the article or articles forming the subject matter of this order without the written consent beforehand of the Commission.

7. Termination of Contract: Upon termination agreement, the Generating Company and Electric & Gas shall to duPont all documents or materials then in its possessi custody or for which it is responsible, which contain or r restricted data or other classified information or matter the Generating Company and Electric & Gas have received, developed, or prepared in connection with this contract. Until actual delivery thereof to duPont, the Generating Company's Electric & Gas's responsibility for security shall continue

such documents or materials.

8. Subcontracts: Except as otherwise authorized in writing by the Contracting Officer, the Generating Company and Electric & Gas shall insert provisions similar to the foregoing in all subcontracts under this contract.

Section 6.13 Eight-Hour Law: No laborer or mechanic doing any part of the work contemplated by this Agreement in the employ of the Generating Company or Electric & Gas or any subcontractor contracting for any part of said work contemplated, shall be required or permitted to work more than eight hours in any one calendar day upon such work at the site thereof, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this Section. The wages of every laborer and mechanic employed by Generating Company or Electric & Gas or any subcontractor engaged in the performance of this Agreement shall be computed on a basic day rate of eight hours per day and work in excess of eight hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. For each violation of the requirements of this Section, a penalty of $5.00 shall be imposed upon Generating Company or Electric & Gas for each laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than eight hours upon said work without receiving compensation computed in accordance with this Section, and all penalties

thus imposed shall be withheld for the use and benefit of the Government: Provided, that this stipulation shall be subject in all respect to the exceptions and provisions of U. S. Code, Title 40 §§ 321, 324, 325, and 326, relating to hours of labor, as modified by the provisions of §303 of Public Act No. 781, 76th Congress, approved September 9, 1940, relating to compensation for overtime.

Section 6.14 Article and Section Headings: The Articles and Section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

Section 6.15 Responsibility: The several parties to this contract shall be responsible for the acts herein which they are specifically called upon by the terms of this agreement to perform.

Section 6.16 Covenant Against Contingent Fees: The Bank, the Generating Company and Electric & Gas warrant that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by them for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

Section 6.17 Approval by AEC: This contract shall be subject to the approval of AEC and shall not be binding unless so approved.

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ARTICLE VII
TERM OF AGREEMENT AND CANCELLATION CHARGES

Section 7.01 Term of Agreement: This contract shall become effective as of its date, as delineated in the beginning of the agreement, and shall continue in full force and effect for a period of twenty-five (25) years from the date the second unit goes into commercial operation, except that the capacity charge for the transmission line shall become due and payable as noted in Section 3.02(h), provided, however, that duPont may cancel this agreement for the convenience of the Government upon the giving of one (1) year's notice in writing to Generating Company and Electric & Gas, upon the payment to Generating Company of the charges hereinafter set forth in Section 7.02.

Section 7.02 Cancellation Charges: The cancellation charges herein stated are in the terms of annual capacity charges as determined by Section 3.02 above. In other words, if cancellation is made during the first year, the charge will be 175% of the annual capacity charge; if cancellation is made during the second year, the charge will be 168% of the annual capacity charge; and so on until if cancellation is made during the fourteenth year, the charge will be 100% of the annual demand charge. For the purpose of this section, the first year is to be considered as covering the period from the date of the contract through the end of the first full calendar year during which power is delivered for such entire year.

1st Year	1.75	2nd Year	1.68	3rd Year	1.57
4th Year	1.51	5th Year	1.47	6th Year	1.43
7th Year	1.35	8th Year	1.28	9th Year	1.20
10th Year	1.16	11th Year	1.12	12th Year	1.09
13th Year	1.06	14th Year	1.00	No charge after the 14th Year.	

7.03 Partial Cancellation: If duPont does not wish to cancel the entire agreement, it may cancel a portion of the KW contract demand, but only to the extent that the KW contract demand is not reduced below 20,000 KW. Notice of such cancellation shall be given by duPont to Generating Company at least one (1) year in advance of the date of the proposed cancellation, and duPont shall pay Generating Company a percentage of the cancellation charges delineated in Section 7.02 equal to the quotient resulting by dividing the number of KW cancelled out by 30,000. In case the entire contract is later cancelled after such a partial cancellation, the cancellation charges due under Section 7.02 shall be computed by multiplying the charges due by the quotient resulting by dividing the then KW contract demand by 30,000.

ARTICLE VIII
ARBITRATION

Section 8.01 Arbitration: Any dispute hereunder between two of the parties hereto arising over a question of fact shall be submitted to three arbitrators, to be selected as follows: One shall be selected by one party, one by the other party, and these two shall select a third, or in case they cannot agree on a third within ten (10) days after the two have been chosen, a third arbitrator shall, upon the written request of

either of the parties hereto, be appointed by any person who is a Judge of the United States District Court of the District in which the Urquhart Station is situated, and the three arbitrators so selected hereunder shall hear and determine the matter in dispute and a decision by a majority of them shall be final and binding upon the parties hereto, provided, however, that if either party shall fail or neglect for a period of ten (10) days after receipt of written notice by the other to select an arbitrator upon its part, the arbitrator appointed by the party giving such notice shall select another arbitrator, and the two thus chosen shall select a third, and the three thus chosen shall proceed to hear and determine the matter in dispute and a decision of the majority of the three shall be final and binding; and provided further, that each of the parties shall be given at least ten (10) days written notice prior to the hearing of any matter submitted to such Board of Arbitrators. The arbitrators' fees and the expense of the arbitration shall be borne and paid for by the party losing in the arbitration, but in the event of a divided award, the division of such fees and expenses shall be made as directed by the arbitrators. The parties to this agreement covenant with each other to abide by the decision of the arbitrators selected hereunder.

The above set forth arbitration shall be conducted pursuant to the arbitration laws of the State of South Carolina as the same now exist in Chapter 22 of Title 10 of the 1952 Code of Laws of South Carolina, or as the same may hereinafter be

amended or re-codified.

IN WITNESS WHEREOF, said Generating Company has caused these presents to be signed in its name by its duly authorized representative, and duPont has likewise caused these presents to be signed in its name by its duly authorized representative, and Electric & Gas has likewise caused these presents to be signed in its name by its duly authorized representative, and the Bank has likewise caused these presents to be signed by its duly authorized representative, all as of the day and year first above written.

ATTEST:
(Sgd.) L. F. Pearce
Secretary

SOUTH CAROLINA GENERATING COMPANY
By (Sgd.) J. M. Costello
Vice President

ATTEST:
(Sgd.) L. F. Pearce
Secretary

SOUTH CAROLINA ELECTRIC & GAS COMPANY
By (Sgd.) S. C. McMeekin
President

ATTEST:
(Sgd.) S. A. Milliner, Jr.
Assistant Secretary

E. I. DU PONT DE NEMOURS AND COMPANY
By (Sgd.) R. M. Evans
Asst. Gen. Mgr. Explosives Dept.

ATTEST:
(Sgd.) W. W. Bruner
Cashier

FIRST NATIONAL BANK OF SOUTH CAROLINA OF COLUMBIA, SOUTH CAROLINA
By (Sgd.) Thomas J. Robertson, Pres.

APPROVED:

(Sgd.) E. M. Block
Atomic Energy Commission

Date April 2, 1954

EXHIBIT "A"
URQUHART STATION

General Features

The steam-electric station constituting the production element of this project will be located on a new site on the east bank of the Savannah River near Augusta, Georgia, approximately 13-1/2 miles west of Aiken, South Carolina.

General facilities to be provided will be those necessary for the development of the new site, comprising: site improvements, including fencing; roadways; railroad trackage for delivery of equipment, material and coal, including that for storage of cars; coal and ash handling facilities; service-water installation; machine shop; warehouses; locomotive, bulldozer, and truck repair shop; administration building.

Arrangement and Structures

The circulating water intake will be at the river bank, with the water pumped therefrom to the station. Condensers will be at an elevation suitable for full siphon action with river levels between minimum pool at 114.5 feet (referred to mean sea level) and maximum flood of record at approximately 141.5 feet.

Turbine-generators will be placed at elevation 145, served by one 150 ton overhead crane. Boiler equipment will be located upstream or north from the turbines, main operating floor being at elevation 145. Top of stack will be at elevation 345.

There will be provided, on the operating floor level between turbine units No. 1 and 2, an enclosed control room, air conditioned

EXHIBIT "A"
URQUHART STATION
(Continued)

and accoustically treated. In this room will be located all operating controls for the two turbine-generator units, the two steam generating units and their accessories, and complete controls for all transmission facilities.

EQUIPMENT

There will be two General Electric turbine-generators, each consisting of a turbine carrying a nominal rating of 60,000 KW and a normal capability rating of 75,000 KW designed to give 75,000 KW gross generation at 2.5 in. Hg abs back pressure, with throttle steam conditions 1450 psig 1000 F and reheat to 1000F, with full five-stage extraction plus provision for 3 per cent (3%) evaporated make-up. Generators, wound for 13.8 kv, will be rated 60,000 kw 0.80 pf, giving 75,000 kva with 0.5-psig hydrogen, and 91,875 kva with 30-psig hydrogen. Each unit will be served by a 250-kw 250-volt direct connected gear driven exciter and amplidyne pilot exciter, separate motor-driven.

River-water temperature varies between a minimum near 40 F and a maximum of approximately 85 F, which will give a usual range of condenser back pressures of from less than 1 in. to approximately 2.5 in. Hg abs. The expected net capability of each plant unit at generator voltage is 75,000 kw; this is after provision for plant auxiliaries, with 1.5 in. Hg abs average back pressure figured as obtainable with Savannah River water, and is with full-extraction from five points.

EXHIBIT "A"
URQUHART STATION
(Continued)

The surface condenser serving each turbine will have 45,000 sq. ft. of surface, being of the two-pass divided water-box type. Circulating water for each condenser will be supplied by two horizontal pumps at intake.

Steam-generating plant will consist of two Combustion Engineering units, each of which is designed to deliver, continuously, 510,000 lb. per hour of steam, when fired with 13,000 btu per lb. coal, carrying 5.0 per cent moisture and 10 per cent ash as received. Each steam generator will be equipped with four No. 533 Raymond pulverizer. Air will be used for soot blowing. All other mechanical auxiliaries will be designed with necessary tolerances for the loads and conditions anticipated.

SUBSTATION

Transformers

Each generating unit will be connected to the 115 kv switchyard through a bank of two three-phase 30/37.5/50 MVA type OA/FA transformers.

One three-phase unit auxiliary transformer will be tapped off each generator main lead circuit to furnish power for the unit boiler and turbine auxiliaries. Auxiliary power distribution will be made at 4160 volts and 480 volts. A second transformer fed from the 46 kv independent incoming line will serve for plant start-up and as a standby for each of the unit auxiliary transformers.

R.1345

EXHIBIT "A"
URQUHART STATION
(Continued)

Switchyard

A 115 kv switchyard will be constructed south of the generating station, with adequate facilities for the transmission of power from this station.

ESTIMATED COSTS

Estimated Direct Cost of Plant as per detailed estimate attached	$20,345,400
Add for metering, general plant investment, engineering fees and interest during construction, escalation and other contingencies -	3,054,600
TOTAL -	$23,400,000

EXHIBIT "A"
URQUHART STATION
(Continued)

CLIENT. SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION. BEECH ISLAND, SOUTH CAROLINA
TITLE. PRELIMINARY ESTIMATE - PROPOSED NEW PLANT

EST. NO. 916-2(JBF)
W.O. No. DB-10-22
REV. 8/17/51

F.P.C. Class	Description	60,000 Kw(75,000 Kw Max.) 1450 Psig-1000°- 1000° Reheat-Install at one time 2-Units Escelation
	POWER PLANT BUILDING	
	Building Substructure	
311-9-2	Excavation, Sheet Piling, Bracing, Dewatering	$ 200,000
311-9-3	Foundations-Forms, Reinforcing, Concrete	635,000
	TOTAL BUILDING SUBSTRUCTURE	$ 835,000
	Superstructure	
311-13-4	Structural Steel	$1,070,000
311-13-5	Walls-Corrugated Transite, Doors, Sash, Glass	315,000
311-13-6	Interior Partitions	45,000
311-13-7	Plastering	8,000
311-13-8	Floors-Concrete	257,000
311-13-9	Roof-Precast Slabs, Waterproofing	106,000
311-13-10	Platforms, Stairways, Handrailing	140,000
311-13-11A	Plumbing, Ventilating)	
311-13-11B	Heating)	
311-13-11D	Fire Protection System)	170,000
311-10-12	House Lighting System	100,000
311-13-13	Painting-Structural Steel only	20,000
311-5-19	Service Elevator	25,000
	TOTAL SUPERSTRUCTURE	$2,256,000
	TOTAL POWER PLANT BUILDING	$3,091,000

R.13

EXHIBIT "A"
UNQUHART STATION
(Continued)

Sheet 2 of 8 Sheets

CLIENT. SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION. BEECH ISLAND, SOUTH CAROLINA
TITLE: PRELIMINARY ESTIMATE - PROPOSED NEW PLANT

EST. NO. 916-2 (JBF)
W.O. NO. DB-10-22
REV. 8/17/51

F. P. C. Class	Description	60,000 Kw (75,000 Kw Max.) 1450 Psig-1000° - 1000° Reheat-Install at one time 2-Units	Escalation
	OTHER STRUCTURES		
311-13-16A	Intake and Discharge Tunnels	$ 500,000	
311-13-16B	Superstructure of Screen House	10,500	
311-13-17B	Yard Lighting	7,000	
311-13-17C	Fence around Property	5,000	
311-13-17E	Roads	25,000	
311-13-17F	Walks and Curbs	6,000	
311-13-17H	Drainage System	20,000	
311-13-17I	Landscaping	6,000	
311-13-22D	Storehouse	40,000	
311-13-24	Railroad Siding	60,000	
300-09	Temporary Buildings	25,000	
311-13-29	Walls	5,000	
311-13-30	Telephone System	3,000	
	TOTAL OTHER STRUCTURES	$ 712,500	
	BOILER PLANT EQUIPMENT		
	Boiler Units		
312A	Boiler Equipment	$3,897,000	$ 303,500
	TOTAL BOILER UNITS	$3,897,000	$ 303,500

EXHIBIT "B"

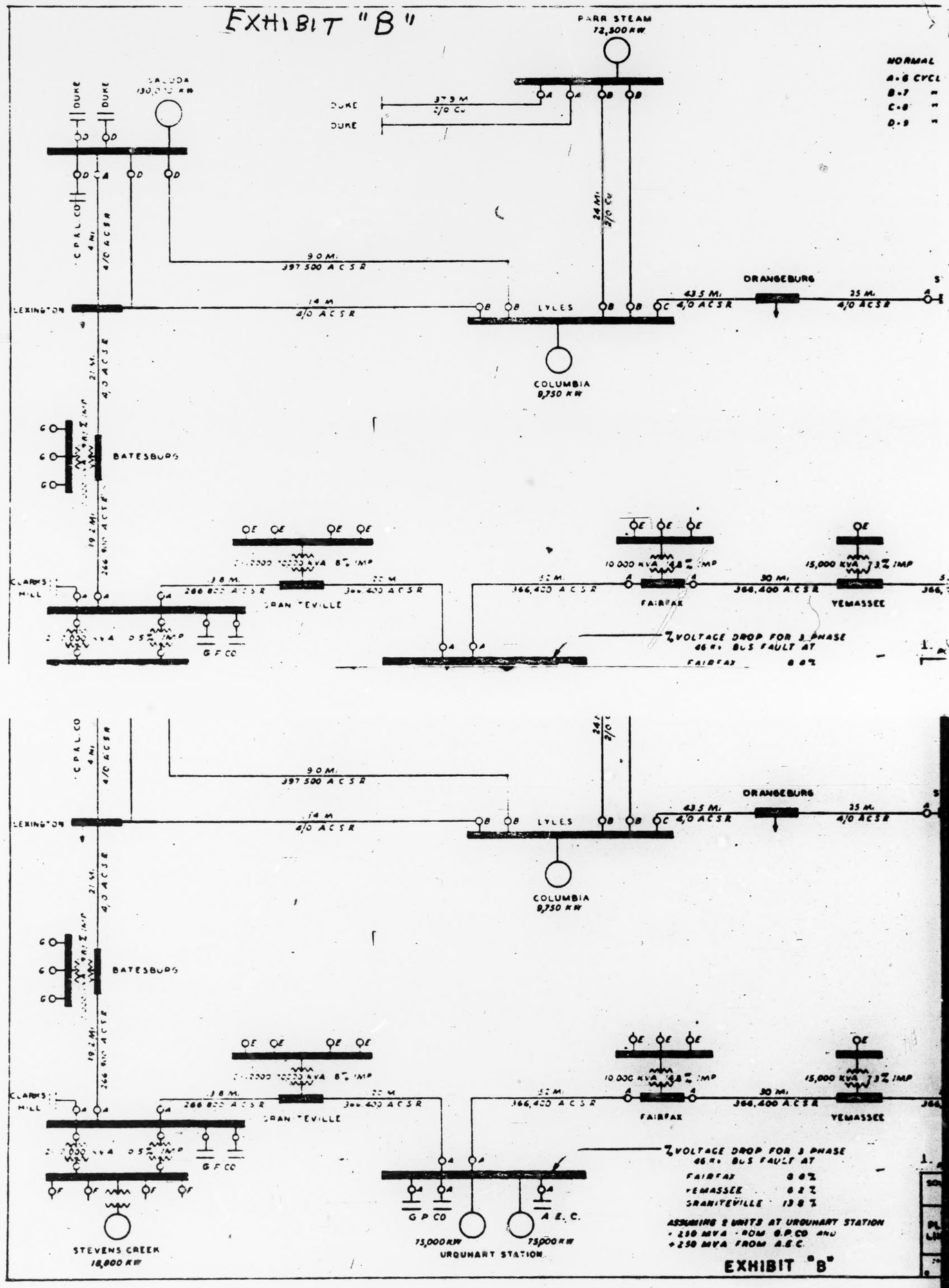


EXHIBIT "B"

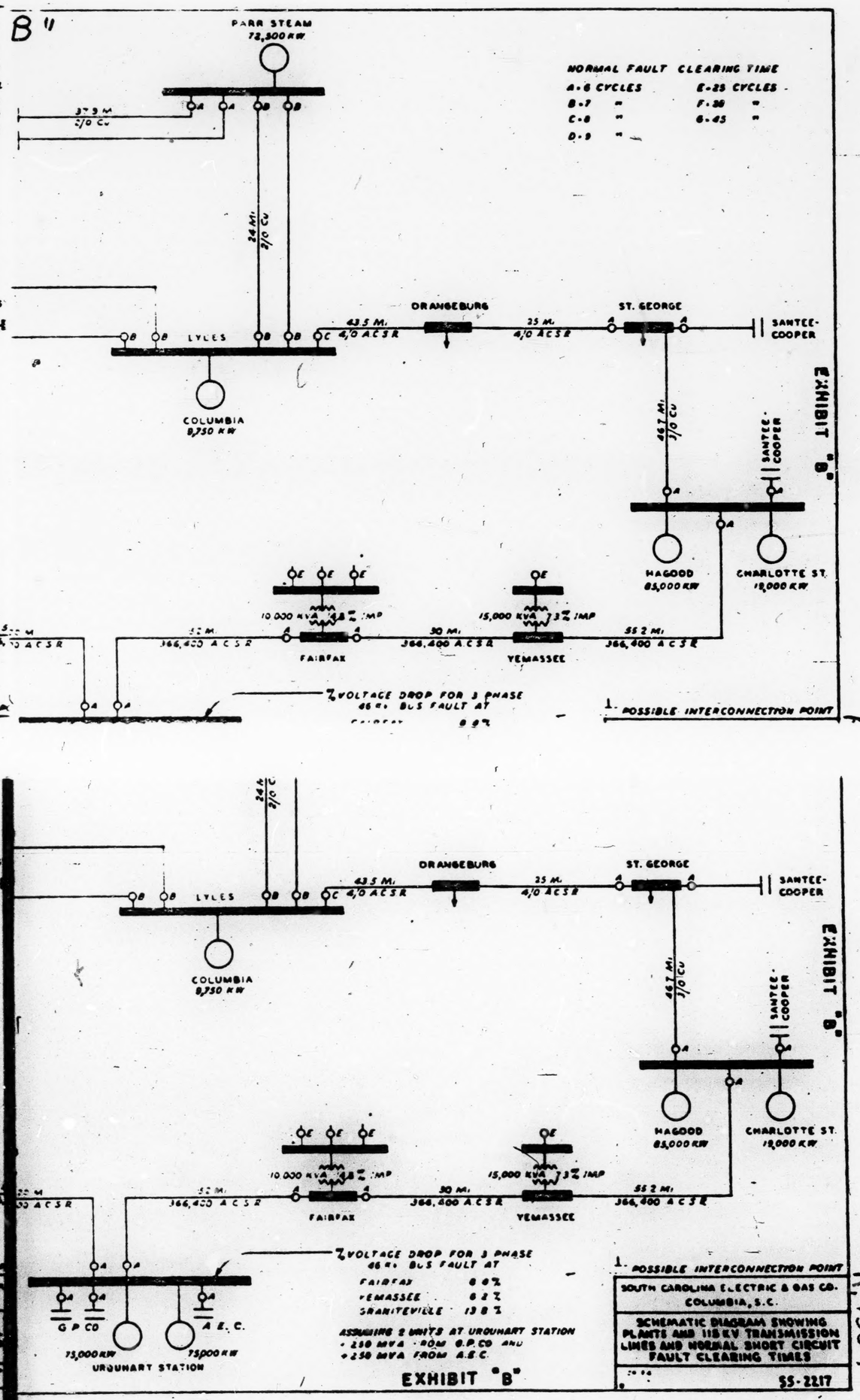


EXHIBIT "B"

R. 1354

EXHIBIT "A"
URQUHART STATION

CLIENT. SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION. BEECH ISLAND, SOUTH CAROLINA
TITLE. PRELIMINARY ESTIMATE - PROPOSED NEW PLANT

EST. NO. 916-2 (JBF)
W.O. No. DB-10-22
Rev. 8/17/51

F.P.C. Class	Description	60,000 Kw (75,000 Kw Nas.) 1450 Psig-1000°-1000° Reheat-Install at one time 2-Units	Escalation
	Draft Equipment		
312B-1	Air Duct System and Insulation	$ 121,200	$ 7,200
312B-2	Air Heater - In Boiler Account		
312B-3	Breeching System, Insulation, Guniting	212,400	11,940
312B-4	Mechanical Dust Collector, Insulation, Guniting	123,200	8,800
312B-5	F.D. and I.D. Fans	205,000	17,000
312B-6&6A	Stack and Stack Foundations	134,000	
	TOTAL DRAFT EQUIPMENT	$ 795,800	$ 44,940
	Feed Water System		
312C-1	Deaerator Heater and Insulation	$ 67,400	
312C-2	Economizer-In Boiler Account		
312C-3-4	Evaporator and Stage Heaters	220,000	
312C-6	Boiler Feed Pumps	340,000	
312C-7	Feed Water Regulators	20,000	
312C-8	Boiler Water Storage Tank	16,000	
312C-9	Miscellaneous Pumps	16,000	
	TOTAL FEED WATER SYSTEM	$ 679,400	
	Raw Coal Handling Equipment		
312D	Raw Coal Handling Equipment including Bunkers, Structures, Conveyors	$ 775,000	$ 35,000
	TOTAL RAW COAL HANDLING EQUIPMENT	$ 775,000	$ 35,000

R.1378

EXHIBIT "A"
URQUHART STATION
(Continued)

CLIENT: SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION: BEECH ISLAND, SOUTH CAROLINA
TITLE: PRELIMINARY ESTIMATE - PROPOSED NEW PLANT

Est. NO. 916-2(JBF)
W.O. NO. DB-10-22
REV. 8/17/51

60,000 Kw (75,000 Kw Max.)
1450 Psig-1000° - 1000°
Reheat-Install at one time

F.P.C. Class	Description	2-Units	Escalation
	TURBINE PLANT EQUIPMENT		
	Turbo-Generator		
314B-1-2-4-7	Turbo-Generator	$3,700,000	$ 344,210
314B-3	Foundations	135,000	
314B-8	Turbine Gland Water Tank	1,400	
314B-9	Turbine Oil Purifier	14,000	
314B-11	Air Duct and Filters	5,000	
314B-10	Water Pump - Air, Oil, Hydrogen Cooler	3,000	
	TOTAL TURBINE PLANT EQUIPMENT	$3,858,400	$ 344,210
	Condensing and Cooling Water System		
314C-1	Air Ejector)		
314C-2	Condenser)		
314C-7	Condenser Pumps)	$ 580,000	$ 51,800
314C-3	Chlorine Equipment	18,000	
314C-6	Intake Screens and Sluice Gates	75,000	
	TOTAL CONDENSING AND COOLING WATER SYSTEM	$ 673,000	$ 51,800
	Turbine Instruments and Controls		
314F-1	Turbine Board	$ 35,000	
314F-2	Instruments and Meters	65,000	
	TOTAL TURBINE INSTRUMENTS AND CONTROLS	$ 100,000	

EXHIBIT "A"
URQUHART STATION
(Continued)

CLIENT: SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION: BEECH ISLAND, SOUTH CAROLINA
TITLE: PRELIMINARY ESTIMATE - PROPOSED NEW PLANT

EST. NO. 916-2 (JBF)
W.O. NO. DB-10-22
REV. 8/17/51

F.P.C. Class	Description	60,000 Kw (75,000 Kw Max.) 1450 Psig-1000° - 1000° Reheat-Install at one time 2-Units	Escalation
	Fuel Oil Equipment		
312F-	Meters, Pumps, Tanks (20,000 Gal)	$ 29,500	
	TOTAL FUEL OIL EQUIPMENT	$ 29,500	
	Ash Handling Equipment		
312H	Pumps, Removal System, Sluiceway or Piping System	$ 200,000	
	TOTAL ASH HANDLING EQUIPMENT	$ 200,000	
	Water Supply and Purification System		
312I	Meters, Pumps, Tanks, Purification System	$ 155,000	$ 15,000
	TOTAL WATER SUPPLY AND PURIFICATION SYSTEM	$ 155,000	$ 15,000
	Boiler Instruments and Controls		
312K	Instruments and Controls	$ 225,000	
	TOTAL BOILER INSTRUMENTS AND CONTROLS	$ 225,000	
	Boiler Plant Piping and Insulation		
312L	Piping, Valves, Fittings, Insulation	$1,350,000	
	TOTAL BOILER PLANT PIPING AND INSULATION	$1,350,000	
	TOTAL BOILER PLANT EQUIPMENT	$8,106,700	$ 398,440

R. 1349

EXHIBIT "A"
URQUHART STATION
(Continued)

CLIENT: SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION: BEECH ISLAND, SOUTH CAROLINA
TITLE: PRELIMINARY ESTIMATE - PROPOSED NEW PLANT

F.P.C. Class	Description	60,000 Kw (75,000 Kw Max.) 1450 Psig-1000° - 1000° Reheat-Install at one time 2-Units	Escalation
	Turbine Plant Piping and Insulation		
314G	Piping, Valves, Fitings, Insulation	$ 345,000	
	TOTAL TURBINE PLANT PIPING AND INSULATION	$ 345,000	
	TOTAL TURBINE PLANT EQUIPMENT	$4,976,400	$ 396.010
	STATION ELECTRICAL EQUIPMENT		
315-3	Battery Charging Equipment	$ 3,800	
315-8	Auxiliary Exciter	25,000	$ 2,500
315-16	Lightning Arresters	2,000	
315-18-1	Main Switchooard	75,000	15,000
315-18-2	Load Centers	100,000	10,000
315-19	Neutral Grounding	10,000	
315-21	Capacitors	2,000	
315-22	Storage Battery	6,000	
315-25	Power and Instrument Transformers	170,000	34,000
315-26	Metal Clad Switchgear	900,000	90,000
315-27-1-2-3	Bus, Insulators, Fittings-Tie Bus #2 Unit	120,000	12,000
315-27-4	Cable and Wire	360,000	
315-27-5	Conduit	420,000	
315-28	Air Compressor, Tanks, Piping	9,500	
315-29	Grounding System	30,000	

R-1351

EXHIBIT "A"
URQUHART STATION
(Continued)

CLIENT: SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION: BEECH ISLAND, SOUTH CAROLINA
TITLE: PRELIMINARY ESTIMATE - PROPOSED NEW PLANT
EST. NO. 916-2(JBF)
W.O. NO. DB-10-22
REV. 3/17/51

F.P.C. Class	Description	60,000 Kw(75,000 Kw.Max.) 1450 Psig-1000°-1000° Reheat-Install at one time 2-Units	Escalation
315-30	Structures	$ 15,000	
	TOTAL STATION ELECTRICAL EQUIPMENT	$2,248,300	$ 163,500
	MISC. POWER PLANT EQUIPMENT		
316-1	Air Compressor - General Purpose	Use Soot Blowing Air	
316-5	Communication System	$ 40,000	
316-7	Cranes and Hoists	170,000	$ 16,000
316-8	Fire Protection Equipment	20,000	
316-9	Laboratory Equipment	10,000	
316-12	House Service and Sump Pumps	18,000	1,800
316-13	Machine Shop Equipment	35,000	
316-14	Vacuum Cleaning System	20,000	
316-15	Hospital Equipment		
316-16	Office Furniture and Equipment	18,000	
316-17	Stores Equipment	10,000	
316-20	Miscellaneous Equipment	10,000	
	TOTAL MISC. POWER PLANT EQUIPMENT	$ 351,000	$ 17,800
	SUBSTATION EQUIPMENT (1st Unit 4 Bays, 2nd Unit 5 Bays)		
343-5	Bus, Insulators, Fittings	$ 15,000	
343-6	Cable	15,000	
343-9	Conduit	15,000	

R-1352

EXHIBIT "A"
URQUHART STATI.
(Continued)

CLIENT: SOUTH CAROLINA ELECTRIC & GAS CO.
LOCATION: BEECH ISLAND, SOUTH CAROLINA
TITLE: PRELIMINARY ESTIMATE - PROPOSED NEW PLANT

EST. NO. 916-2 (JBF)
W.O. NO. DB-10-22
REV. 8/17/51

F.P.C. Class	Description	60,000 Kw(75,000 Kw Max.) 1450 Psig-1000° - 1000° Reheat-Install at one time 2-Units	Escalation
343-12	Fence	$ 4,000	
343-18	Lighting System	3,000	
343-19	Lightning Arresters	8,000	
343-20	Manhole	2,000	
343-23	Oil Purifier	2,500	
343-24	Circuit Breakers	75,000	$ 7,500
343-25	Switchboard Panel	3,000	
343-26	Starting-up Transformer	60,000	12,000
343-31	Structures	45,000	
343-32	Disconnect Switches	45,000	
343-33	Oil Storage Tank, Piping, Etc.	15,000	
343-36-1	Power Transformers	505,000	101,000
343-36-2	Instrument Transformers	8,000	1,600
343-36-3	Power and Lighting Transformers	2,500	500
343-39	Supervisory Control	3,500	
343-40	Grounding System	8,000	
343-41	Fire Protection System	25,000	
	TOTAL SUBSTATION EQUIPMENT	$ 859,500	$ 122,600
	G R A N D T O T A L	*$20,345,400	$1,098,350

*Contingencies, Engineering Fees and Interest During Construction are not included in this figure.

EXHIBIT C 1.

URQUHART STATION
SOUTH CAROLINA GENERATING COMPANY

There follows a proposed method of allocation of station operating charges as between the two Initial Units of Urquhart Station and Unit 3 and any subsequent units that may be installed.

Steam Operation - Labor	Chargeable to	Allocation basis**
Supt., Asst. Supt., Results Engr., Shift Supvr., Clerks, etc.	Prod. Supt.*	Units
Control Room Operators - (Units 1 & 2)	Production accounts	1 & 2
	Trans. Sta. Labor	Outgoing Lines
(Unit 3)	Production accounts	3
Turbine Room Operators) Auxiliary Operators) Boiler Tenders)	Production Labor Accounts	Direct
Fuel Handlers	Boiler Labor	Adjusted KWH
	Fuel Stock	Fuel
Ash Handlers	Boiler Labor	Adjusted KWH
Chemists	Prod. Supt.	Units
	Fuel Stock	Fuel
	Water	Units
Janitors, Messengers, etc. General	Misc.Sta.Labor	Units
Special (significant amounts directly assignable)	Misc.Sta.Labor	Direct
Electricians, Machinists, etc. General	Misc.Sta.Labor	Units
Special (significant amounts directly assignable)	Misc.Sta.Labor	Direct
Steam Operation - Supplies & Exp.		
Office Supplies & Expenses	Prod. Supt.*	Units
Fuel	Fuel	Adjusted KWH

(See Page 3 for Note)

Steam Operation - Supplies & Exp.	Chargeable to	Allocation Basis
Water Treatment Supplies		
Purification (chlorine, alum, etc.)	Water	Units
Boiler Water Treatment	Water	Direct
Outside Chemical Analyses	Water	Units
Lubricants		
General	Lubricants	Units
Special (significant quantities, directly assignable, as turbine oil replacement)	Lubricants	Direct
Miscellaneous Supplies		
General	Station Supplies	Units
Special (significant amounts directly assignable)	Station Supplies	Direct
Miscellaneous Expenses		
General	Station Expense	Units
Special (significant amounts directly assignable)	Station Expense	Direct
Steam Maintenance - Labor, Supplies & Exp.		
Structures & Improvements	Same	
Assignable		Direct
Otherwise		Units
Coal Storage, Handling & Weigh.	Same	Adjusted KWH
Furnaces, Boilers & Accessories	Same	Direct
Boiler Apparatus	Same	Direct
Steam Piping & Accessories	Same	
Assignable		Direct
Plant Heating, etc.		Units
Prime Movers & Generators	Same	Direct
Accessory Electric Equipment	Same	
General		Units
Special (significant amounts directly assignable)		Direct
Misc. Power Plant Equip.	Same	
General		Units
Special (significant amounts directly assignable)		Direct

Steam Miscellaneous	Chargeable to	Allocation basis**
Rents***	Same	
Dwellings		Personnel
Other		Function
Transmission (Substation)		
Operation	Various	Outgoing Lines
Maintenance	Various	Direct
Administrative and General		
Salaries of General Officers	Same	Units
Salaries of General Office Emps.	"	"
Expenses of Gen.Office Emps.	"	"
Gen. Office Supplies & Expenses	"	"
Special Services	"	
General		Units
Special (significant amounts directly assignable)		Direct
Legal Services	"	
General		Units
Special (significant amounts directly assignable)		Direct
Regulatory Commission Expense	"	Units
Insurance	"	Direct
Injuries & Damages	"	Units
Employees Welfare Expense	"	"
Pensions	"	"
Miscellaneous General Expense	"	"
General Rents	"	"
Maintenance	"	"

Notes

*Under the accounting system used by the Company all supervision labor, supplies and expenses are charged direct to operations with subsequent transfer to maintenance supervision on the dollar ratio (exclusive of supervision and fuel) of operations to maintenance costs. Hence, only the initial allocations of superintendence items between the first 2 and the 3rd unit is necessary.

**Allocations by "Units" mean 2/3 and 1/3 so long as there are 3 units at the Station.

***Rent income from operators' houses would follow similar allocation.

R.1432
(Rev. 5/23/55)
10h

AVERAGE EARNINGS-PRICE RATIOS AND YIELDS ON THE COMMON STOCK OF ELECTRIC UTILITIES* WITH ANNUAL REVENUES FROM $25,000,000 to $50,000,000 JANUARY 1950 TO DATE

	YEAR											
	1950		1951		1952		1953		1954		1955	
	E.P.R.	Yield	E.P.R.	Yield	E.P.R.	Yield	E.P.R.	Yield	E.P.R.	Yield	E.P.R.	Yield
Jan.	8.9%	5.7%	9.0%	6.0%	7.6%	5.6%	7.4%	5.1%	7.2%	5.3%	6.5%	4.7%
Feb.	8.2	5.5	8.7	5.9	7.6	5.5	7.3	5.1	7.0	5.2	6.2	4.5
Mar.	8.2	5.6	8.9	6.1	7.6	5.5	7.3	5.1	6.8	5.2	6.3	4.6
Apr.	8.2	5.7	8.9	5.9	8.0	5.7	7.7	5.2	6.9	5.1	6.3	4.5
May	8.5	5.6	9.1	6.1	7.7	5.4	8.0	5.5	6.8	5.0		
June	9.2	6.2	9.2	6.2	7.6	5.5	8.3	5.7	6.6	5.0		
July	9.9	6.6	8.6	5.9	7.6	5.4	7.9	5.5	6.2	4.7		
Aug.	9.5	6.3	8.4	5.9	7.4	5.3	7.9	5.6	6.5	4.8		
Sept.	9.2	6.1	8.3	5.9	7.4	5.2	7.9	5.6	6.4	4.7		
Oct.	9.4	6.3	8.3	5.8	7.5	5.3	7.6	5.4	6.8	5.0		
Nov.	9.4	6.3	8.0	5.8	7.4	5.1	7.4	5.4	6.7	4.8		
Dec.	9.0	6.1	7.8	5.7	7.4	5.0	7.3	5.3	6.5	4.7		
Average E.P.R.	9.0%		8.6%		7.6%		7.7%		6.7%			
Yield		6.0%		5.9%		5.4%		5.4%		5.0%		

Notes: The Earnings-Price Ratios are based on the closing market quotations at the end of the month and the latest available earnings for a twelve-months period immediately preceding the end of the month; also, the Earnings-Price Ratios are weighted by the number of common shares of each company which were outstanding at the end of the month.

*Number of companies included: 14 19 19 22 21

Source of Data: Standard & Poor's Stock Guide, Moody's Public Utility Supplements.

R. 1483

SOUTH CAROLINA ELECTRIC & GAS CO. AND SUBSIDIARIES
CAPITALIZATION
DECEMBER 31, 1954

Issue	Amount	Amount	Percent
Long-Term Debt:			
South Carolina Electric & Gas Co.:			
First and Refunding Mortgage Bonds:			
3% Series, 1980	$ 22,200,000		
3% Series A, 1980	4,000,000		
3-3/4% Series, 1981	6,000,000		
4-1/8% Series, 1983	4,000,000		
3% Series, 1975 (South Carolina Power Co.)	8,000,000		
3% Series, 1977 (South Carolina Power Co.)	4,000,000		
3-1/8% Series, 1979 (South Carolina Power Co.)	4,000,000		
Gold Bonds, 5%, 1999 (Charleston Consolidated Railway, Gas and Electric Company)	1,557,000		
Bank Notes, 2-1/2% to 1958	1,762,500		
South Carolina Generating Co.:			
First Mtge. Bonds, 3-7/8%, 1979	19,878,000		
First Mtge. Bonds, 4%, 1981	4,200,000		
Promissory Notes, 4%, 1964	3,496,000		
South Carolina Natural Gas Co.:			
First Mtge. P. L. Bonds, 3-7/8%, 1973	4,000,000		
Total Long-Term Debt		$ 87,093,500	62.8%
Preferred Stock:			
4.50%, $50 par	4,000,000		
4.60%, $50 par	2,765,000		
5%, $50 par	6,261,700		
Total Preferred Stock		13,026,700	9.4
Common Equity:			
Common Stock, $4.50 par	14,178,577		
Premium on Common	9,539,946		
Earned Surplus	7,245,502		
Capital Surplus	7,527,858		
Total Common Equity		38,491,883	27.8
Total Capitalization		$138,612,083	100.0%

Source of Data: Prospectus dated 2/24/55 covering 210,053 shares of common stock.

SOUTH CAROLINA ELECTRIC & GAS CO. AND SUBSIDIARIES
COST OF OUTSTANDING DEBT AND PREFERRED STOCK

(Rev. 5/23/55) R.1484
12

Issue (a)	Date of Issue (b)	Amount of Issue (000) (c)	Out-standing 12/31/54 (000) (d)	Price to Purchaser (000) (e)	Net Proceeds to Company Total (000) (f)	Net Proceeds to Company Per Unit (g)	Net Cost to Company (h)
Long-Term Debt							
S. C. Elec. & Gas Co.							
1st & Ref. Mtge. Bonds:							
3% Series, 1980 4/	4-1-50	$22,200	$22,200	$22,866	$22,575	101.69	2.91%
3% Series A, 1980	12-1-50	4,000	4,000	4,040	4,009	100.22	2.99
3-3/4% Series, 1981	7-1-51	6,000	6,000	6,000	5,947	99.12	3.80
4-1/8% Series, 1983	12-17-53	4,000	4,000	4,000	3,982	99.56	4.15
3% Series, 1975 (S.C.Power Co.) 4/	1-26-45	8,000	8,000	8,110	7,993	99.92	3.00
3% Series, 1977 (S.C.Power Co.) 4/	5-1-47	4,000	4,000	4,120	4,054	101.35	2.93
3-1/8% Series,1979 (S.C.Power Co.)	7-1-49	4,000	4,000	4,000	3,941	98.53	3.20
Gold Bonds,5%,1999 (Charleston Consolidated Ry.,Gas & Elec.Co.)	3-1-1899	2,500	1,557				5.07 1/
Bank Notes, 2-1/2% to 1958	5-28-48	6,200	1,762	6,200	6,118	98.69	2.76
S.C. Generating Co.:							
First Mtge. Bonds, 3-7/8%, 1979	1952-1954	20,000	19,878	20,000	19,836	99.18	3.93
First Mtge. Bonds, 4%, 1981	1954	4,200	4,200	4,200	4,086	97.29	4.17
Promissory Notes, 4%, 1964	1952-1953	4,000	3,496	4,000	3,966	99.14	4.10
S. C. Natural Gas Co.:							
1st. Mtge.P.L.Bonds,3-7/8%, 1973	1954	4,000	4,000	4,200	4,155	103.89	3.59 5/
Total Long-Term Debt			$87,093				3.46%
Preferred Stock							
4.50%, $50 par	1954	4,000	4,000	4,000	3,902	48.78	4.61
4.60%, $50 par	10-3-50	3,000	2,765	3,000	2,907	48.44	4.75
5%, $50 par	1943 2/	6,262	6,262	6,262	2/	2/	5.15 3/
Total Preferred Stock			$13,027				4.90%

1/ In the absence of data .07 was added to coupon rate based on cost of other issues.
2/ Issued 1943 in exchange for Pfd. Stock, Bonds & Debs.
3/ Expense estimated at .15% based on cost of other issues. This 5% series at end of April 1955 was selling at 53 to yield 4.7%. (Standard & Poor's Stock Guide, May 1955).
4/ 3% Bonds due 1975, 1977 and 1980, which are publicly held, were quoted in April 1955 at 94 to yield 3.31% to maturity. (Standard & Poor's Guide, May 1955).
5/ Disregards $313,443 call premium and expense of refunding $4,000,000 and redeeming $500,000 of 4-3/4% bonds before consideration of related estimated Federal income tax reduction of $163,000.

Source: Prospectus 2/24/55, Form No. 1, S.E.C. Publications, data furnished by Company.

R. 19

MONTHLY EARNINGS-PRICE RATIOS OF SOUTH CAROLINA ELECTRIC & GAS COMPANY COMMON STOCK JANUARY 1950 TO DATE

	Earnings-Price Ratios					
	1950	1951	1952	1953	1954	1955
January	12.8%	8.9%	4.7%	7.4%	6.7%	7.2%
February	13.2	9.4	4.8	7.1	7.1	6.8
March	12.8	9.7	4.6	6.4	7.1	
April	13.6	7.8	6.0	6.0	7.3	
May	11.4	7.7	6.1	6.1	6.6	
June	12.8	8.1	6.1	6.5	7.1	
July	13.4	8.6	5.5	6.7	7.1	
August	12.1	7.0	5.9	6.6	7.2	
September	11.5	6.9	5.8	6.7	6.9	
October	12.1	6.4	6.8	6.4	7.9	
November	9.8	6.4	6.7	6.5	7.7	
December	9.5	6.0	6.6	6.4	7.4	
Straight Average	12.1%	7.7%	5.8%	6.6%	7.2%	

Notes: The above data are based on the closing market quotations at the end of the month and the latest available earnings for a twelve-months period immediately preceding the particular month.

Source of Data: Moody's Public Utility Cummlative Index, Standard & Poor's Stock Guide and Bank and Quotation Record.

OFFERINGS OF COMMON STOCK BY SOUTH CAROLINA ELECTRIC & GAS CO.
1948 TO DATE

Date of Record (a)	Size of Offering: No. of Shares (b)	Size of Offering: Amount (Millions) (c)	Offering Ratio One For: (d)	Percent Subscribed (e)	Offering Price Per Share (f)	Net Proceeds to Company: Total (g)	Net Proceeds to Company: Per Share (h)	Latest Published Earnings Per Share: 12 Mos. Ended (i)	Latest Published Earnings Per Share: Amount (j)	Offering Price Ratio (k)	Net Offering Price Ratio (l)	Market Price Prior to Offering: Date (m)	Market Price Prior to Offering: Price (n)	Relation of Offering Price to Market Price (o)
5/11/48	404,293	$2.6	2	61%	$ 6.50	$2,343,799	$ 5.80	3/31/48	$1.13	17.4%	19.5%	5/8/48	$7.125	91.2%
5/13/49	310,150	2.4	4	78	7.625	2,210,026	7.13	3/31/49	1.29	16.9	18.1	5/11/49	8.125	93.8
4/15/52	417,719	4.0	5	58	9.625	3,790,286	9.07	2/29/52	0.57	5.9	6.3	4/12/52	9.875	97.5
2/18/53	358,045	4.3	7	100	12.00	4,135,848	11.55	12/31/52	0.90	7.5	7.8	2/16/53	12.875	93.2
2/17/54	286,436	4.2	10	100	14.75	4,075,829	14.23	12/31/53	1.15	7.8	8.1	2/15/54	16.00	92.2
2/24/55	210,053	3.7	15	100	17.50	3,654,922	16.90	12/31/54	1.33	7.6	7.9	2/21/55	18.875	92.7

Notes: All issues of Common Stock have been made to stockholders under rights and were underwritten.

Source of Data: F.P.C. Form No. 1, Wall Street Journal, Moody's Public Utilities Supplements, Prospectus.

Ex. 28
R. 1543

SOUTH CAROLINA GENERATING COMPANY
Estimate of Revenue Deductions
Georgia Power Company Contract

	First Year	Fifth Year
Depreciation:		
Plant Cost	$ 26,682,000	
Less Non-depreciable Items	163,500	
Depreciable Base	$ 26,518,500	
Less Transmission Line to Georgia	35,000	
Net Plant	$ 26,483,500	
Georgia Portion of Plant (50%)	$ 13,241,800	
Plus Transmission Line to Georgia	35,000	
Depreciable Base applicable to Georgia	$ 13,276,800	$ 13,276,800
Annual Depreciation @ 2.75%	$ 365,112	$ 365,112
State Income Tax on Fringe:		
Revenue from Fringe	$ 540,000	$ 540,000
State Income Tax @ 4.5%	$ 24,300	$ 24,300

RES
3-5-54

Ex. 35 R. 1566

STATE OF SOUTH CAROLINA)
) CONSTRUCTION OF TRANSMISSION FACILITIES
COUNTY OF RICHLAND) AND AGREEMENT TO BACK UP

WHEREAS, on the 13th day of November, 1951, the South Carolina Electric & Gas Company, hereinafter sometimes called "Electric & Gas", and the South Carolina Generating Company, hereinafter sometimes called "Generating Company", both of which are corporations organized and existing under and by virtue of the laws of the State of South Carolina, entered into an agreement for the sale by Generating Company and the purchase by Electric & Gas of certain capacity and energy from the Urquhart Station of the Generating Company; and,

WHEREAS, the said agreement of November 13, 1951, fully set forth and delineated a description of the Urquhart Station, hereinafter sometimes referred to as "Station", the terms and conditions of the said purchase, and all other pertinent requisites, the principal capacity purchased by Electric & Gas being "KW Contract Demand", as defined in §2.03 of the November 13th agreement of 75,000 KW of electric capacity, or a portion thereof remaining after the exercise of certain rights reserved to Generating Company under Article IV of the November 13th agreement; and,

WHEREAS, the Generating Company entered into a Letter Contract dated January 11, 1952, with E. I. duPont de Nemours & Co., a corporation organized and existing under the laws of the State of Delaware, prime contractor under contract AT(07-2)-1 with the Atomic Energy Commission, hereinafter known as AEC, an agency

of the United States government, which letter was concurred in and accepted by Electric & Gas; and,

WHEREAS, the said Letter Contract provided, among other things, for certain transmission facilities to be constructed by Electric & Gas, and certain other actions to be taken by Electric & Gas; and,

WHEREAS, it is necessary and desirable to more fully effectuate the terms of the said Letter Contract, and the contract which is to be entered into in lieu thereof, to effectuate an agreement between Electric & Gas and Generating Company concerning the said transmission facilities, and other matters.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the same to be well and truly kept and performed, the said parties hereto, Electric & Gas and Generating Company, for themselves, their successors and assigns, hereby agree with each other as follows:

ARTICLE I
TRANSMISSION FACILITIES

§1.01 Construction: Electric & Gas will proceed expeditiously with the design, construction, operation and maintenance of a single 115 KV transmission line running from the 115 KV switch yard of the Generating Company at the Station to a 115 KV switch yard located on the Savannah River Project of the AEC. This line will be completed on or before January 1, 1954.

§1.02 Use: It is understood and agreed between the parties that the transmission line to be constructed by virtue

of this Article shall be used solely to transmit electric capacity and energy between Urquhart Station and the Savannah River Project, and that Electric & Gas will transmit electric capacity and energy over the same as may be presented by Generating Company for delivery to and accepted by, duPont in accordance with the said Letter Contract, or any contract, or amendment thereto, concurred in and signed by Electric & Gas.

§1.03 Payment: As a charge for such transmission, Generating Company will pay to Electric & Gas annually, in equal monthly installments, an amount equal to 15% of the total cost of the said transmission line.

ARTICLE II
CHANGES IN SYSTEM OF ELECTRIC & GAS

§2.01 Changes: Electric & Gas will proceed expeditiously to make the changes and improvements in its system as outlined in its schematic diagram SS 2217 dated September 18, 1951, excluding the switch yard of the Generating Company located at Urquhart Station, such changes being fully shown and delineated in Exhibit "A" hereto annexed.

§2.02 Interconnections: Electric & Gas will also establish, or cause to be established, an interconnection, or interconnections between the Station and the system of Electric & Gas.

ARTICLE III
CAPACITY AND ENERGY TO BE MADE AVAILABLE
BY ELECTRIC & GAS

§3.01 Back-up: Electric & Gas will make available to

Generating Company at the Station's 115 KV bus any amount of capacity and energy needed by Generating Company to fulfill its agreement with duPont for energy supplied to the Savannah River Project pursuant to the aforesaid Letter Contract of January 11, 1952, or any contract replacing the same concurred in and signed by Electric & Gas, provided, however, that in no event shall Electric & Gas be required to make available capacity in excess of 30,000 KW.

It is specifically understood and agreed, however, that Electric & Gas shall be required to make this capacity and energy available only because of failures due to breakdowns, outages, necessary repairs, etc. and only on a temporary basis, and, further , that it shall not be required to make such capacity and energy available during any period of outage or breakdown which is not reckoned or counted as part of the time during which the contract deliveries are to be made by virtue of any force majeure clause in the contract between duPont and Generating Company for the delivery of capacity and energy thus backed-up.

§3.02 Force Majeure: Electric & Gas shall not be required to deliver or make available any of the said electric capacity and energy as above set forth in §§1.02 and 3.01 if it is prevented by reason of or through strike, stoppage in labor, failure of contractors, suppliers of material, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any Court or Judge granted in any bona fide adverse legal proceedings or action, order of any civil authority, or

military, either de facto or de jure, explosion, act of God, or the public enemies, or any cause reasonably beyond its control.

§3.03 Energy Charge: The energy charge for all energy delivered under §3.01 of this Article shall be the weighted average fuel cost for all of Electric & Gas's fuel plants for the month during which such energy is supplied, plus 15%.

§3.04 Metering: All energy delivered to Generating Company by virtue of §3.01, above, by Electric & Gas, shall be metered at the Generating Company's 115 KV Station bus.

ARTICLE IV
TERM AND CANCELLATION

§4.01 Term: This contract to become effective upon the date of signing and continue in full force and effect for a period of twenty-five (25) years from the date the second generating unit at Urquhart Station goes into commercial operation, provided, that the payment of the transmission charges, as delineated in Article II, shall begin immediately upon completion of the line or the readiness of the first unit for commercial operation, whichever date is the later, but not before January 1, 1954, and provided, further however, that Generating Company may cancel this agreement upon the giving of one (1) years notice in writing to the Electric & Gas Company and upon the payment to Electric & Gas of the charges hereinafter set forth in §4.02.

§4.02 Cancellation Charges: The cancellation charges herein stated are in the terms of annual charges for the transmission line as set forth in §2.03 of Article II hereof, as set

forth above. In other words, if the cancellation charge is made during the first year, the charge will be 175% of such annual charge; if the cancellation is made during the second year, the charge will be 168% of such annual charge and so on until if the cancellation is made during the 14th year, the charge will be 100% of such annual charge. For the purpose of this section, the first year is to be considered as covering the period from the date of the contract through the end of the first full calendar year during which power is delivered by Generating Company to duPont for the operation of the Savannah River Project.

1st Year	1.75	2nd Year	1.68	3rd Year	1.57
4th Year	1.51	5th Year	1.47	6th Year	1.43
7th Year	1.35	8th Year	1.28	9th Year	1.20
10th Year	1.16	11th Year	1.12	12th Year	1.09
13th Year	1.06	14th Year	1.00	No charge after the 14th year.	

IN WITNESS WHEREOF the parties hereto have caused these presents to be signed in their respective names by the officers hereunder indicated, and attested to by their respective secretaries, and their respective seals thereto affixed by such respective Secretaries, this 31st day of March, 1954.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ATTEST:

/s/ L. F. Pearce
Secretary

By /s/ S. C. McMeekin
President

SOUTH CAROLINA GENERATING COMPANY

ATTEST:

/s/ L. F. Pearce
Secretary

By /s/ F. R. McMeekin
Vice President

Exhibit A to Rate Schedule
F.P.C. No 1 (Item A) R.1720

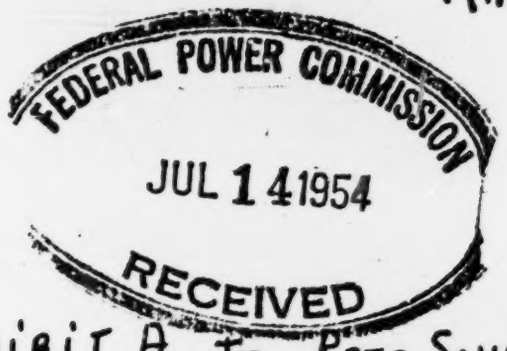


Exhibit A to Rate Schedule
F.P.C. No. 1 (Item A)
R. 1720

POWER CONTRACT

BETWEEN

SOUTH CAROLINA GENERATING COMPANY

AND

SOUTH CAROLINA ELECTRIC & GAS COMPANY

This Agreement, made and entered into on this 13th day of November, 1951, by and between South Carolina Electric & Gas Company, a corporation organized and existing under the laws of the State of South Carolina, hereinafter sometimes called "Electric & Gas", South Carolina Generating Company, a corporation organized and existing under the laws of the State of South Carolina, hereinafter sometimes called "Generating Company", and The First National Bank of South Carolina of Columbia, a banking corporation organized and existing under the laws of the United States, hereinafter sometimes called the "Bank",

WITNESSETH, THAT:

WHEREAS, Generating Company proposes to construct a steam electric generating station on the South Carolina side of the Savannah River at or near Beech Island, southeast of Augusta, Georgia, which will have a capacity of 150,000 KW, consisting of a first 75,000 KW unit which is planned to be in operation by March 1, 1953, and a second 75,000 KW unit which is planned to be in operation by July 1, 1953, subject to delays beyond the control of Generating Company; and

WHEREAS, Electric & Gas is desirous of purchasing electric capacity and energy from the Urquhart Station of Generating Company, under the terms and conditions hereinafter set forth; and,

WHEREAS, it is contemplated that this agreement will be pledged as collateral security by the Generating Company to Mellon National Bank & Trust Company, as Trustee, under an Indenture to be executed, to secure First Mortgage Bonds of Generating Company; and,

WHEREAS, this Agreement is the agreement referred to in Paragraph 2 A (g) of defined Purchase Agreement between Generating Company, Electric & Gas Company and The Northwestern Mutual Life Insurance Company and the Bond Purchase Agreement between Generating Company, Electric & Gas and Metropolitan Life Insurance Company.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter contained, the electric capacity and energy to be delivered and

the sums of money to be paid, said parties hereto for themselves, their successors and assigns, hereby agree with each other as follows:

ARTICLE I
FACILITIES TO BE PROVIDED

Section 1.01 Generating Station: Generating Company will proceed expeditiously with the design, purchase and construction, and operation and maintenance of its Urquhart steam electric generating station, to consist of two 75,000 KVA, 60,000 KW, 0.8 P.F. at 0.5 p s i hydrogen pressure turbo-generators (manufacturer's name plate rating), together with necessary auxiliary equipment, step-up substation and switching facilities, at the location described above, said station and additional facilities being sometimes hereinafter referred to as the "Urquhart Station", or "Station", and Generating Company hereby agrees to exert its best efforts to have the first unit in commercial operation not later than March 1, 1953, and the second unit in commercial operation not later than July 1, 1953.

Section 1.02 Description of Station: A description of the Urquhart Station, together with estimated costs of construction, is contained in Exhibit "A" hereto attached and made a part hereof. Generating Company agrees that it will make no substantial departure from plans for such Station as in said Exhibit set forth, unless agreed to by Electric & Gas.

Section 1.03 Scope of Agreement: All provisions of this agreement shall have reference only to the Urquhart Station as described in Sections 1.01 and 1.02 and Exhibit "A" except where otherwise specifically stated.

Section 1.04 Construction of Additional Capacity: Generating Company may, if it so desires, increase the generating capacity of the

Urquhart Station by adding a unit or units in addition to those described in Sections 1.01 and 1.02 and Exhibit "A" but any such additions shall not affect this agreement except to the extent herein specifically provided.

Section 1.05 Portion of Capacity of Urquhart Station allocated to Electric & Gas: Of the 150,000 KW capacity of the Urquhart Station, 75,000 KW is allocated to Electric & Gas, subject to the provisions hereinafter set forth.

Section 1.06 Maintenance of Turbo-Generators, Boilers and Accessory Equipment: Generating Company agrees to maintain its turbo-generators, boilers, condensers and accessory equipment essential to the operation of Urquhart Station throughout the term of this agreement in such manner as to insure operation of all such equipment at full load, except during periods of outages for inspection and maintenance, or as a result of failure of such equipment. Such outages for inspection and maintenance shall be mutually agreed upon, it being the intention of the parties that such equipment shall be taken out of service for this purpose at times when it is least likely to be needed in service. In event of failure of any such equipment, Generating Company agrees to replace or repair such equipment so as to restore it to service as quickly as possible.

Section 1.07 Delivery Equipment: All necessary apparatus at Urquhart Station, such as high voltage switches, metering, communication, telemetering, protective and load control equipment required to deliver electric capacity and energy as herein provided shall be installed by Generating Company.

Section 1.08 Insurance: Generating Company shall carry insurance

to protect the Station from loss or damage, and to protect Generating Company against claim of or damage to employees, other persons or property, the insurance to be carried to be that regarded as proper and reasonable by electric utility operating companies. Generating Company agreed to furnish annually its insurance program to Electric & Gas. The cost of such insurance shall be included in expenses used in determining the capacity charge.

ARTICLE II
USE OF FACILITIES AND DELIVERIES OF POWER

Section 2.01 Delivery Point: Electric capacity and energy shall be delivered to Electric & Gas at the Station's substation, at which point or points title and possession of such electric capacity and energy shall pass to Electric & Gas. Such point or points are hereby designated and hereinafter referred to as the "delivery point".

Section 2.02 Metering: Metering of the electric capacity and energy to be delivered to Electric & Gas herein referred to shall be at the Urquhart Station substation at approximately 115 KV.

Section 2.03 KW Contract Demand: The term "KW Contract Demand" shall mean 75,000 KW of electric capacity or that portion thereof remaining after the exercise of the rights reserved to Generating Company under Article IV. At all times Generating Company agrees to deliver to Electric & Gas and Electric & Gas agrees to accept at the delivery point, its then KW Contract Demand, or any portion thereof scheduled by Electric & Gas, provided, however, that for the period between the date the first unit in the Urquhart Station goes into commercial operation and the date the second unit in such station goes into commercial operation, or in the event that the electric capacity of the Urquhart Station shall be reduced due to failure of equipment,

or outage for maintenance or inspection of equipment therein, or any cause beyond the control of Generating Company, the portion of the available electric capacity to be delivered to Electric & Gas, shall be in the same proportion as its then KW Contract Demand bears to 150,000 KW.

If at any time Electric & Gas desires to increase its KW Contract Demand, it may so notify Generating Company, such notice to be in writing, and Generating Company shall forthwith proceed to reduce the KW Contract Demand available to other customers by an amount or amounts necessary to fulfill the increased KW Contract Demand specified by Electric & Gas, insofar as, and as expeditiously as, agreements with the said other parties permit. Should Generating Company reduce the KW Contract Demand of any other customer pursuant to such notice in writing or for any other cause after notice to and agreement by Electric & Gas, both such notice and agreement to be in writing, or should any customer or other party having KW Contract Demand from the Station reduce or cancel the same or should any KW Contract Demand from the Station be reduced or cancelled for any cause, then Electric & Gas shall have the right and be obligated immediately to assume the same; provided, however, that if any contracting party cancels or reduces any KW Contract Demand which it is not legally entitled to so reduce or cancel, then Generating Company shall take any legal or other action available to it as to that portion of such reduced or cancelled demand which Electric & Gas does not desire to assume.

Section 2.04 KVA Demand: Electric & Gas shall be entitled to take KVA from the Urquhart Station up to the same pro-rata part of the total KVA available from the Station as the then KW Contract Demand of Electric & Gas bears to 150,000 KW. In event Electric & Gas desires to schedule KW deliveries

below its KW Contract Demand, it may take the full amount of reactive KVA made available by such reduction in its KW receipts. In event Electric & Gas desires more reactive KVA than may be available to it under either of the above conditions, and should Generating Company, at its sole option, agree to make available such additional amount, or any portion thereof, payment by Electric & Gas for such excess shall be on a reasonable basis by mutual agreement.

Section 2.05 Minimum KW Demand: Unless Generating Company agrees in advance, the minimum KW demand that Electric & Gas may schedule shall not be less in relation to its then KW Contract Demand than the minimum safe load, as determined by the parties hereto, of the Station generating units in operation bears to 150,000 KW, unless notice is given by Electric & Gas that no capacity and energy will be demanded for a period sufficient, under good operating and engineering practices, to allow a unit to be safely closed down for such period of no demand and started up thereafter. This minimum KW demand requirement shall not apply when the total load on the portion of the Station generating units in operation is in excess of minimum safe load; provided, however, that for any portion of Electric & Gas' share of minimum load not taken by it, Electric & Gas shall pay to Generating Company five per cent (5%) of the fuel cost required to generate Electric & Gas' share of minimum load not actually taken by Electric & Gas, based upon the average fuel cost and average fuel efficiency during the month involved.

In the event the conditions provided for in the preceding sentence are reversed and the other load of Generating Company is less than the prorata portion of the minimum safe load of the Station available for operation, and such deficit is taken by Electric & Gas, then five per cent (5%) of the

fuel cost, based on the average fuel cost and average fuel efficiency during the month involved, required to generate Generating Company's other customers' share of the minimum safe load not taken by such other customers shall be deducted from the energy charge to Electric & Gas for the month involved.

Section 2.06 Character of Capacity and Energy: The electric capacity and energy to be furnished hereunder shall be of the character commonly known as three-phase alternating current at approximately 60 cycles per second and at a nominal voltage of 115 KV.

Section 2.07 Other Equipment: If Electric & Gas desires special 115 KV voltage regulating, communication or control apparatus at the Station for use in connection with the delivery and receipt of electric capacity hereunder, Generating Company agrees to provide space for the installation of such apparatus. Representatives of Electric & Gas shall at all times have access to the premises of Generating Company's Urquhart Station for the purpose of inspection and maintenance of such apparatus. Electric & Gas may at any time at its option and expense remove any of the facilities installed under this Section 2.07 from Generating Company's property.

ARTICLE III
RATES AND CHARGES

Section 3.01 Basis: Payment for capacity and energy delivered to Electric & Gas shall be made monthly on the basis of a capacity charge plus an energy charge.

Section 3.02 Capacity Charge: The capacity charge, except as is described in Section 3.02 (e) for certain capacity and energy, shall be at the rate of fifteen dollars and thirty cents ($15.30) per kilowatt-year on the then KW Contract Demand of Electric & Gas hereunder, starting when the first unit is ready for commercial operation, subject to adjustment as follows:

(a) For any fraction of a year, the capacity charge shall be determined thus: For each calendar month, one-twelfth of the annual capacity charge; and for each part of a calendar month, that proportion of one-twelfth of the annual capacity charge which the part of the calendar month under consideration bears to the whole of said month.

(b) The base rate of the capacity charge has been calculated to include certain fixed charges for financing, such as interest, amortization and eight per cent (8%) return on equity capital, the total of which will amount to $1,576,240 per year based on an estimated total expenditure as follows:

For Plant Cost	$23,400,000
For Working Capital, including coal stocks	1,000,000
	$24,400,000

[illegible] cost shall consist of the cost of the direct production facilities, the step-up substation and switching facilities at the Station, and any related general plant investment, all as defined by the Federal Power Commission Uniform System of Accounts prescribed for Public Utilities and Licensees as in effect at the date hereof (hereinafter called the "Uniform System of Accounts").

Working capital shall consist of the investment in materials and supplies applicable to the ownership and operation of the Station and properly includable in Account 131.1 of the Uniform System of Accounts, including coal stocks not in excess of 100,000 tons, plus an amount equal to one-sixth of the total annual operating expenses, excluding taxes, depreciation and amortization, of Generating Company which are applicable to the ownership and operation of the Station as shown on the books of Generating Company.

The estimated annual fixed charges of $1,576,240 amount to approxi-

mately $10.50 per kilowatt based upon 150,000 KW capacity. In the event the total expenditure for items shown in this Section 3.02(b) exceeds the estimated total of $24,400,000, the capacity charge shall be increased at the rate of one (1) cent per KW-year for each one-tenth of one per cent (1/10%) increase in such total expenditure. In event such total expenditure is less than $24,400,000, the capacity charge shall be decreased at the rate of one (1) cent per KW-year for each one-tenth of one per cent (1/10%) decrease in such total expenditure.

The adjustment in capacity charge provided in the preceding paragraph, in so far as it is affected by plant cost, shall be determined as soon as such final expenditure figures are available, but not more than twelve (12) months after the second unit is placed in commercial operation, and shall be retroactive to the date electric capacity and energy is first delivered to Electric & Gas hereunder.

The adjustment in capacity charge provided for in the second preceding paragraph, insofar as it is affected by working capital, shall be determined at the beginning of each calendar year, applicable for the ensuing calendar year, as the average of the month-end balances during the preceding calendar year of the investment in materials and supplies as defined above, plus an amount equal to one-sixth of the operating expenses for the preceding calendar year as defined above; provided, however, that for the period between the beginning of commercial operation and the end of the first full calendar year thereafter, working capital shall be considered as $1,000,000, subject to retroactive adjustment for any difference between such estimate and the working capital as computed in accordance with the above procedure.

In case additional expenditures applicable to the plant cost of the

Station are made during the term of this agreement by Generating Company to improve efficiency, to utilize other fuels, to replace equipment, including replacements occasioned by casualties not reimbursed by insurance or otherwise, or for other purposes to be mutually agreed upon, such expenditures shall be added to those set forth above, in this Section 3.02(b), provided that such expenditures are chargeable to Plant Account under the Uniform System of Accounts, and the capacity charge shall be adjusted at the end of each month in accordance with the formula set forth above, to apply from the beginning of the ensuing month; provided, however, that no expenditures applicable to any particular improvement or addition costing in excess of $100,000 shall be considered in adjusting the capacity charge unless such expenditures shall have been authorized by Electric & Gas.

(c) The total capacity charge also includes expenses related to the ownership of the Urquhart Station, the maintaining of an operating organization, and the performance of all corporate, legal, administrative and general functions which may be appropriate in the premises, in a total estimated annual amount of $720,000 for such expenses, including taxes other than those covered in Section 3.03. These annual expenses have been estimated as follows:

1.	Federal, State and Local Taxes	$460,000
2.	Administrative and General Expense	60,000
3.	Operating Supervision and Labor	200,000
		$720,000

The above expenses are limited to those applicable to the ownership and operation of the Station and chargeable under the Uniform System of Accounts to Account 507, and the accounts for Production Expenses, Transmission Expenses, and Administrative and General Expenses, exclusive of those

amounts covered in Section 3.03.

These estimated annual expenses of $720,000 amount to approximately $4.80 per KW based upon 150,000 KW capacity. In event these annual expenses, actual or computed as herein provided, exceed the estimated total of $720,000 for any calendar year, the capacity charge shall be increased at the rate of one cent per KW-year for each two-tenths of one per cent (2/10%) increase in such total expenses. In event these expenses for any calendar year fall below $720,000, the capacity charge shall be decreased at the rate of one cent per KW-year for each two-tenths of one per cent (2/10%) decrease in such total expenses.

Taxes shall be included in the determination of the annual expenses in this sub-section 3.02(c) for the purpose of establishing the adjustment in the preceding paragraph, to the extent and in the manner prescribed in Section 3.04.

The adjustment in capacity charge provided for above in this Section 3.02(c) shall be made as soon as possible after the close of each calendar year, and shall be retroactive to the beginning of said calendar year; and such adjusted annual rate of capacity charge shall become the basis of billing during the ensuing calendar year, subject to adjustment as above at the end of such calendar year. Nothing herein shall prevent the parties hereto from agreeing upon a further adjustment in rate for any or all of the intervening months, subject to the year-end adjustment herein provided.

(d) If, however, at the end of any full calendar year or earlier period if necessary the total income of Generating Company, after payment of operating and other necessary expenses, and taxes, shall be insufficient to provide Generating Company with funds adequate to pay interest on and amortize

the debt incurred in the construction of the Station as above set forth and delineated, and to have left 8% return on its equity investment, then the capacity charge per kilowatt year for that calendar year shall be retroactively increased by an amount determined by dividing the amount of money necessary to be added to the income of Generating Company to service the debt and have 8% return on its equity investment, as above described, by the annual KW Contract Demand of Electric & Gas in effect for such year. When the annual KW Contract Demand of Electric & Gas has varied during this period, then the divisor shall be the average KW Contract Demand of Electric & Gas for that calendar year. The monies due under such method of adjustment shall be determined as soon as practicable at the end of each calendar year where necessary, and Electric & Gas shall pay the bill for same, duly presented, under and in accordance with the provisions of Article V of this agreement.

(e) For any electric capacity which Generating Company recaptures from any other company at the request of Electric & Gas and delivers the same to Electric & Gas, all pursuant to the provisions of Section 2.03 hereof, then Electric & Gas shall pay for such electric capacity at the same rate as the customers from whom the same is recaptured would have paid for it.

(f) During the period commencing when the first unit is ready for commercial operation and ending when the second unit is ready for commercial operation, the capacity charge payable hereunder shall be determined by applying the annual rate, determined in accordance with Section 3.02, to one-half of the then KW Contract Demand.

Generating Company shall advise Electric & Gas in writing the date on which each unit shall be ready for commercial operation.

Section 3.03 Energy Charge: The energy charge, for energy furnished each month under the provisions of this agreement, shall be (1) a proportionate part of Generating Company's expenses for fuel and maintenance not reimbursed by insurance which are applicable to the Station and are properly chargeable to Accounts 703, 706, 707, 708, 709, 747, 748, 749, 750 and 751 of the Uniform System of Accounts, in the proportion for such month as the kilowatt-hours taken by Electric & Gas, plus associated step-up transformer losses to be determined from manufacturer's test data and other related factors, bear to the total net kilowatt-hours generated by the Station, plus (2) any taxes associated with or attributable to transactions or charges under this Section 3.03, to the extent and in the manner prescribed in Section 3.04.

To avoid possible inequities in the foregoing proportionate determination of maintenance expense entering into the energy charge month by month, an adjustment of such energy charge shall be made at the end of each calendar year so that Electric & Gas shall, for such annual period, pay that proportion of the total maintenance expense for such period as the kilowatt-hours taken during such annual period by Electric & Gas, plus associated step-up transformer losses, bear to the total net kilowatt-hours generated during such annual period by the Station. Net kilowatt-hours generated is defined as total gross generation of the Station, less energy required in the operation of the Station.

If Generating Company increases the generating capacity of the Station as provided in Section 1.04, the fuel costs used in determining the energy charge shall be based on the average cost of all fuels used by all units in the plant.

Section 3.04 Taxes:

(A) Energy Charge: The tax component to be included with other expenses for allocation (in the ratio of kilowatt-hours) in the energy charge, under Section 3.03, shall:

(1) Include only such taxes as are affected by the volume of output of electric energy from the Station or activities or transactions related thereto, such as all taxes, licenses and levies which are or may be levied, or imposed upon or payable by Generating Company by reason or on account of the production, generation, transmission, sale or delivery of electric energy, including taxes on the purchase, use, delivery or other transactions or events relating to fuel used in the production of electric energy (to be accounted for and charged for as a component of fuel cost) and relating to materials, supplies and equipment used in maintaining the Station (to be accounted for and charged for as a component of maintenance cost), and all taxes on or measured by gross receipts or gross revenues realized from the energy charge under Section 3.03, excluding, however,

(a) all taxes, licenses and levies measured by or imposed on net income, net operating income, or excess profits; and

(b) all payroll and employment taxes; and

(2) Be in an amount equal to all taxes covered by Section 3.04 (A)(1), including any pyramiding of such taxes which shall result from the inclusion of the tax component in the receipts or revenues to be derived from the energy charge under Section 3.03.

(B) Capacity Charge: The tax component to be included, in lieu of the estimated annual taxes of $460,000, in determining the total annual expenses for allocation (in substantially the ratio of contract demand to Station

capacity) in the capacity charge, by means of adjustments prescribed in Section 3.02(c), shall:

(1) Include all taxes, licenses and levies which are or may be levied, or imposed upon or payable by Generating Company except to the extent that the amount of any tax has been included in the tax component in Section 3.04 (A) or is chargeable to Plant Account under the Uniform System of Accounts, and

(2) Be in an amount equal to all taxes covered by Section 3.04 (B)(1), including any pyramiding of such taxes which shall result from the inclusion of the tax component in the receipts or revenues to be derived from the capacity charge under Section 3.02(c).

(C) Taxes on Income: In determining the amount of any tax on or measured by net income, net operating income or excess profits, to be included in the tax component pursuant to the provisions of Section 3.04(B), the following adjustments shall be made:

(1) The gross base or measure of such tax shall be limited to the gross revenues of Generating Company from the energy charge and the portion of the capacity charge referred to in Sections 3.02(b) and 3.02 (c) payable by Electric & Gas and amounts in respect of the same items payable by any other purchaser of power from Generating Company. In the event the charges of Generating Company to any purchaser of power on account of the energy charge and the items included in the portion of the capacity charge referred to in Sections 3.02(b) and 3.02(c) hereof, should be at rates greater or less than the charges on account thereof made to Electric & Gas for the same period, there shall nevertheless be included in the gross base or measure of the taxes referred to in this

Section 3.04 (C)(1) an amount on account of such sales based on the rates charged Electric & Gas for said period, determined in the case of the energy charge on a per KWH basis and in the case of the capacity charge on the basis of the charge per KW year of KW Contract Demand.

(2) In the case of any such tax in respect of which depreciation and interest shall be allowed as deductions, the amortization and interest included in any taxable period in the financing charges under Section 3.02(b), computed as 87.6161% of the capacity charge made under Section 3.02(b), shall be substituted and used in lieu of the depreciation and interest allowed as deductions to Generating Company for such taxable period in determining such tax, provided, however, that in the case of any tax in respect of which either depreciation or interest (but not both said items) shall be disallowed as a deduction, such amortization or interest included in said financing charges shall be substituted and used in lieu of depreciation allowed or the interest allowed, as the case may be, in determining such tax.

(3) There shall not be taken into account deductions and losses attributable to debt retirmenet, refinancing, casualties and abandonments, and other expenses or deductions not attributable to or used in determining the charges to Electric & Gas under Sections 3.02(c) and 3.03, and the carry-over and carry-back of losses, deductions, unused credits and other adjustments.

(4) The amount of such tax liabilities shall be determined on a return separate basis.

(D) Exemptions, Apportionment and Preferential or Discriminatory Taxation: In the event that a portion of the gross revenues, property, purchase price or

other base or measure of any tax shall be exempt from any tax due to the nature of the use or ownership of property, or the exempt character of the transaction, or the exempt nature of the purchaser or user, or purchase or use, of electric energy or similar exemptions (or shall be reduced by allocation or apportionment), such tax shall, in determining the amount thereof to be included in the tax component pursuant to the provisions of Section 3.04(A) and 3.04(B), be computed as if the entire measure of Generating Company's base for such tax for the taxable period is exempt (or is reduced by allocation or apportionment) in the proportion that the measure thereof applicable to transactions or dealings with or receipts from or otherwise attributable to Electric & Gas shall be exempt (or shall be reduced by allocation or apportionment), provided, that in the case of graduated rates, the average rate shall be applied to the said base or measure, as provided in Section 3.04(E).

This Section 3.04(D) shall apply to preferential, discriminatory or special taxation applied to particular persons, property or transactions, but shall not apply to general exemptions such as the elimination from the base of a tax of a minimum amount of revenues or income.

(E) Graduated Rates: In determining the amount of any tax, other than taxes on or measured by net income, net operating income or excess profits, to be included in the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B), each such tax shall be deemed to be imposed at a level average rate, which shall be the effective rate of such tax as applied to the entire measure of Generating Company's base for such tax for the taxable period.

(F) Applicable Tax Period: In determining the amount of any tax to be

included in the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B), such taxes shall be determined by reference to the base or measuring period, it being the intention of the parties that in the event a tax is imposed on a privilege, franchise, or other subject for a period which differs from the period by which the base or measure thereof is determined, the tax shall be deemed, for purposes of this agreement, to be applicable with respect to the base or measuring period.

(G) Deductible Taxes: If, in computing the amount of any tax, another tax is deductible or may be offset or credited, the amount thereof to be considered deductible, offset or credited, in determining the tax component to be included pursuant to the provisions of Sections 3.04(A), and 3.04 (B), shall be subject to the provisions of Sections 3.04(C), 3.04(D), 3.04(E) and 3.04(F).

(H) Adjustments for Prior Years: The determination of the amount of any tax included in the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B) for any prior year shall be subject to adjustment in respect of any tax applicable to such year at the time such tax is subsequently required to be paid to a taxing authority by Generating Company and also upon the final determination of the amount of such tax liability made by Generating Company with the taxing authority, whether by settlement, litigation or otherwise. The amount of the tax component for such prior period shall be recomputed as provided by this Section 3.04 so as to consider, where applicable, the amount of such taxes so to be paid, or as thus finally determined, together with any interest and penalties thereon. Electric & Gas shall promptly pay to Generating Company the amount of the additional energy and capacity charges payable for said period, as thus recomputed, and

Generating Company shall promptly pay to Electric & Gas the excess of the amounts therefore paid by Electric & Gas for such period over the energy and capacity charges, as thus recomputed. Generating Company shall have the sole and exclusive authority in its own absolute discretion to settle or otherwise dispose of any or all of its tax liabilities.

(I) Additional Generating Units: In the event that Generating Company should own or operate any power generating facilities other than the Station, the taxes, licenses and levies of Generating Company which shall be taken into account in determining the tax component pursuant to the provisions of Sections 3.04(A) and 3.04(B) shall be only such taxes, licenses and levies as are attributable to the ownership and operation of the Station. The taxes, licenses and levies of Generating Company attributable to such ownership and operation of the Station shall be the sum of:

(1) All taxes, licenses and levies of Generating Company which are specifically applicable or are allocable to the Station, including but not limited to ad valorem taxes, payroll and employment taxes with respect to employees working exclusively at the Station and levies on gross receipts and gross revenues derived from sales of power at said Station; plus

(2) Taxes on or measured by net income, net operating income, or excess profits, as determined under Section 3.04(B);

(3) A fair and equitable portion of all other taxes, licenses and levies to which Generating Company is or may be subject.

Section 3.05 Review of Practices and Procedures: Generating Company shall construct and operate the Station in a careful, prudent and efficient manner. Electric & Gas shall have the right from time to time to review and discuss with Generating Company its construction and operating

plans, practices and procedures.

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Section 3.06 Statements, Audits and Inspection: Generating Company shall furnish to Electric & Gas statements in reasonable detail as to all items entering into the determination of capacity charges and energy charges certified by an officer of Generating Company. Generating Company shall furnish to Electric & Gas annually a copy of an audit of its books and accounts for the preceding year made by an independent auditor. Electric & Gas shall have access at reasonable intervals to the books and records of Generating Company and shall have access to the Urquhart Station for the purpose of inspection. Upon the delivery or receipt of any such statements or audits, either party to this Agreement shall have four (4) months within which to check the same for errors, but if either party within such four (4) months period shall make no request for correction, such statements or audits shall be conclusive on both parties as to the facts therein set forth.

ARTICLE IV
REDUCTION IN KW CONTRACT DEMAND

Section 4.01 Reduction: Generating Company may reduce the KW Contract Demand of Electric & Gas as hereinafter set forth.

Section 4.02 Prior to Commercial Operation of Both Units: At any time before both units have been placed in commercial operation, Generating Company may reduce the KW Contract Demand of Electric & Gas by not in excess of 30,000 KW, upon written notice.

Section 4.03 After Commercial Operation of Both Units: On twelve (12) months written notice given after both units of the Urquhart Station have been placed in commercial operation, Generating Company may reduce the KW Contract Demand of Electric & Gas to the extent that the right of reduction under Section 4.02 has not been exercised.

ARTICLE V
BILLING AND PAYMENT

Section 5.01 Presentation and Payment: Generating Company shall render to Electric & Gas on or about the 10th day of each month a written bill for the amount due it by the terms of this Agreement for the preceding calendar month; and as adjustments in charges are determined from time to time hereunder, Generating Company shall promptly render a written bill or credit memorandum for the amount due it or Electric & Gas, respectively. All such bills or credit memoranda shall be due and payable by Electric & Gas or Generating Company, respectively, within ten days after rendition. All amounts payable to Generating Company by Electric & Gas shall be paid directly to the Generating Company at its main office, unless and until Electric & Gas shall receive from the Bank written notice specifying and demanding that payment of all amounts so payable be thereupon and thereafter paid to the Bank. Upon receipt of such notice Electric & Gas hereby agrees that all such payments shall thereupon be paid to the Bank until Electric & Gas shall have received from the Bank a further notice specifying and demanding that payment of any such amounts shall be made to the person therein specified. Such notices as are contemplated hereby may be given from time to time by the Bank, but in no event prior to the time that the contract is pledged as collateral security for the purposes stated in Section 7.08. Any payments made by Electric & Gas under direction of the Bank, as herein provided, shall constitu full satisfaction of the obligation of Electric & Gas with reference thereto as if such payments had been made directly to Generating Company.

Section 5.02 Remedies: If Electric & Gas shall fail to pay any bil within the time above allowed, Generating Company may, at its option, suspend the delivery of electric capacity and energy hereunder until all monies due

it have been paid, together with interest at the rate of six per cent (6%) per annum, said interest to run from the time such payment was due, to-wit: the 10th day after the rendition of such bill.

This right of suspension is in addition to all other rights at law or in equity which Generating Company may have in the circumstances, and the exercise thereof, or of any such rights in law or in equity, shall not be deemed to impair or abrogate this agreement in any way, and such right may be exercised whenever and as often as any such default in payment of bills shall occur, and any delay or omission on the part of Generating Company to exercise any right to it accruing in the case of default shall not be deemed a waiver of any rights hereunder or to which it might have recourse at law or in equity.

Section 5.03 Disputed Bill: If Electric & Gas shall, in good faith, dispute any bill so rendered, then within the period fixed herein for payment of the same, Electric & Gas shall pay Generating Company the amount charged in such bill, and without any deduction or set-off which it, said Electric & Gas, might claim, but shall set forth the basis of its contentions. If the parties thereafter cannot agree on the correctness of the bill in question, the dispute shall be submitted to arbitration as hereinafter provided. If as a result of such arbitration, Generating Company must refund any part of the monies thus paid by Electric & Gas, Generating Company shall forthwith make such payment, together with interest at the rate of six per cent (6%) per annum from the date of payment of such monies to it. Notwithstanding any of the foregoing, Electric & Gas may before or after its payment, dispute the correctness of any charges made on a bill, within the provisions of Section 3.06.

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ARTICLE VI
METERING

Section 6.01 Metering Equipment: There shall be provided by Generating Company at the Urquhart Station such metering equipment as may be necessary to measure accurately the electric capacity and energy to be furnished hereunder. Said metering equipment, including generator and station service meters, shall at all times be kept accurate within one per cent (1%) and Generating Company shall read such meters as often as required by Electric & Gas but not oftener than once every hour and shall thereupon transmit such readings to Electric & Gas. All measuring instruments shall be of a make and type to be agreed upon by a representative of each of the parties hereto duly appointed for such purpose. All measuring instruments pertaining to billing shall be sealed and shall be opened only in the presence of an authorized representative of each party hereto and all such instruments shall be tested by such representatives upon request of either party to the other, but at least once every six months. If, as a result of such test, any instrument shall be found to be inaccurate it shall be restored to a condition of accuracy satisfactory to such representatives or replaced by a new instrument or instruments satisfactory to such representatives. If the inaccuracy of any instrument shall exceed one per cent (1%) then the readings of such instrument previously taken, and all charges based thereon, shall be corrected on the basis of said test, but not for more than thirty (30) days prior to the date of test, nor prior to the date within such thirty (30) days upon which such meters have been proven or agreed to be accurate; provided that in the event of any disagreement between the parties hereto with respect to said measuring instrument or instruments, the subject of said disagreement shall be referred to arbitrators in the manner hereinafter provided.

Electric & Gas shall have the right to install, at its sole expense, duplicate instruments for checking, and space for the installation of such instruments shall be provided by Generating Company. Representatives of Electric & Gas shall at all times have access to the premises of Generating Company for the purpose of inspection or maintenance of such metering equipment of Electric & Gas. Generating Company shall have the right to test for accuracy such duplicate instruments at reasonable intervals.

If either party shall at any time discover that any instrument, either original or duplicate, registers inaccurately, or fails to register, then such party shall forthwith so notify the other party in writing. In the event of stoppage of an original instrument in respect to which no duplicate has been installed, or of both the original and duplicate instruments, the amount of electric capacity and energy furnished during the period of such stoppage shall be determined from any instrument readings or other data which may be available and applicable for the purpose, and such determination shall be used for billing hereunder.

Section 6.02 Records: Generating Company shall keep in duplicate a continuous log record of the operation of Urquhart Station on which shall be recorded at the end of every one (1) hour period the readings of all meters and instruments pertaining to the delivery of and billing for electric capacity and energy furnished by it to Electric & Gas hereunder. There shall also be recorded in such records a brief statement giving complete detailed facts in so far as possible as to any interruption or other unusual events affecting service. One set of said duplicates shall be mailed each day by Generating Company to Electric & Gas at its principal office in Columbia, South Carolina.

Section 6.03 Disagreement: Should Electric & Gas disagree in any instance with any interpretation, statement or conclusion of Generating Company as indicated in writing concerning the data sent to Electric & Gas, any question arising with respect thereto shall be taken up for adjustment between the parties within sixty (60) days from the mailing of such data by Generating Company, or such objection or disagreement shall be deemed to have been waived without prejudice to the right of Electric & Gas to dispute any similar data in the future.

ARTICLE VII
MISCELLANEOUS

Section 7.01 Responsibility and Indemnification: Generating Company shall not be responsible for electric capacity and energy after delivery by it to Electric & Gas at the delivery point. Each party hereto expressly agrees to indemnify and save harmless, and defend the other against all claims demands, costs or expense for loss, damage, or injury to persons or property in any manner directly or indirectly connected with or growing out of the generation, transmission or use of electric capacity and energy on its own side of the delivery point hereunder; provided, however, that each party hereto shall in all cases be responsible for damage or injury to its own employees and expressly agrees to indemnify and save harmless the other from all claims of such employees, except where the same shall be considered as part of the cost used in determining charges for capacity and energy under Article III.

Section 7.02 Operating Instructions: Generating Company agrees to comply with the reasonable operating instructions of Electric & Gas with regard to electric capacity and energy to be supplied under this agreement, and, at all times, to follow the reasonable instructions of Electric & Gas in operating the switches and other apparatus controlling the electric capacity

and energy to be supplied hereunder.

Section 7.03 Notice of Failure: In event of the failure of or injury to any apparatus of Generating Company, affecting its ability to supply service in accordance with the terms of this agreement, Generating Company shall give immediate notice by telegraph or telephone, to the operating headquarters of Electric & Gas in Columbia, South Carolina.

Section 7.04 Force Majeure: In case either party hereto should be delayed in or prevented from performing or carrying out the agreements, covenants and obligations made by and imposed upon said parties, or either of them, by this contract by reason of or through strike, stoppage in labor, failure of contractors, suppliers of materials, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any Court or Judge granted in any bona fide adverse legal proceedings or action, order of any civil authority, or military either de facto or de jure, explosion, act of God, or the public enemies, or any cause reasonably beyond its control, and not attributable to its neglect, then, and in such case or cases, such period of delay or prevention shall not be reckoned or accounted as a part of the time within which such party was to perform and carry out the same, and the days, dates, times and periods (other than the expiration date of this Agreement) mentioned in this contract shall be extended for a period proportionate to such delay or prevention, nor shall such period relieve Electric & Gas of paying the capacity charge as above set forth in Section 3.02; provided, however, that the party or parties suffering such delay or prevention shall use all reasonable diligence to remove the cause or causes thereof, and either party claiming an extension of time hereunder shall immediately give to the other written notice of such claim.

Section 7.05 Regulation: Both parties recognize the fact that this agreement, together with all the terms thereof, may be or may become subject to approval, change, or modification by certain authorized agencies of the Federal Government and of the State of South Carolina, and no part of this agreement which is, or which shall later become, contrary to any valid rule, regulation, order, or decree of any such authorized agencies shall be binding upon the parties hereto during the period any provision hereof is contrary to any such valid rule, regulation, order, or decree.

Generating Company and Electric & Gas shall not during the term hereof make application to any legally constituted authority for an increase or decrease in the rate of charge for electric capacity and energy as set forth herein or for any change in the provisions of this agreement with reference to the delivery of electric capacity and energy hereunder.

Section 7.06 Term of Agreement: This contract shall become effective as of its date and shall continue in full force and effect for a period terminating on October 1, 1979.

Section 7.07 Assignability: This contract shall bind the parties hereto, their successors and assigns, but no assignment hereof shall in any event relieve Electric & Gas of any of its obligation hereunder.

Section 7.08 Hypothecation: The parties hereto agree that when, as, and if, the Generating Company shall execute and deliver an indenture to secure First Mortgage Bonds to be issued by it, this agreement may be pledged as collateral security for the payment of some or all of such bonds.

Section 7.09 Agreements Under the Contract: Notwithstanding any pledge of this contract as collateral security by Generating Company or the fact that the Bank is a party hereto, Electric & Gas and Generating Company are authorized to make any and all agreements contemplated by the several provisions of this contract or required in working out the operational or financial details thereof or construing or interpreting any provisions thereof without the consent of any pledgee or the Bank. No such agreement, however, shall, without the consent of such pledgee and of the Bank, be made with respect to the provisions of Sections 1.01, 1.02, 7.07, or 7.08 or of Article IV, or shall change the basic formulas for the computations for capacity or energy charges, load factor variance adjustments, or tax components set forth in Sections 3.02 through 3.04, inclusive, or affect the rights of the Bank under Section 5.01, and no such agreements with respect to any other provisions hereof shall be made which, in the aggregate, would have a material adverse effect on the security afforded to such pledgee.

ARTICLE VIII
ARBITRATION

Section 8.01 Arbitration: Any dispute hereunder arising over a question of fact shall be submitted to three arbitrators, to be selected as follows: One shall be selected by Generating Company, one by Electric & Gas,

and these two shall select a third, or in case they cannot agree on a third within ten (10) days after the two have been chosen, a third arbitrator shall, upon the written request of either of the parties hereto, be appointed by any person who is a Judge of the United States District Court of the District in which the Urquhart Station is situated, and the three arbitrators so selected hereunder shall hear and determine the matter in dispute and a decision by a majority of them shall be final and binding upon the parties hereto, provided, however, that if either party shall fail or neglect for a period of ten (10) days after receipt of written notice by the other to select an arbitrator upon its part, the arbitrator appointed by the party giving such notice shall select another arbitrator, and the two thus chosen shall select a third and the three thus chosen shall proceed to hear and determine the matter in dispute and a decision of the majority of the three shall be final and binding: and provided further, that each of the parties shall be given at least ten (10) days written notice prior to the hearing of any matter submitted to such Board of Arbitrators. The arbitrators' fees and the expense of the arbitration shall be borne and paid for by the party losing in the arbitration, but in the event of a divided award, the division of such fees and expenses shall be made as directed by the arbitrators. The parties to this agreement covenant with each other to abide by the decision of the arbitrators selected hereunder.

IN WITNESS WHEREOF, said Generating Company has caused these presents to be signed in its name by its President or Vice-President and attested by its Secretary or Assistant Secretary, and its corporate seal to be hereto affixed, thereunto duly authorized by its Board of Directors, the day and year first above written, and said Electric & Gas has likewise caused these presents to be signed in its name by its President or Vice-President, and attested

by its Secretary or Assistant Secretary, and its corporate seal to be hereto affixed, thereunto duly authorized by its Board of Directors, and the said Bank has likewise caused these presents to be signed in its name by its President or Vice-President, and attested by its Cashier or Assistant Cashier, and its corporate seal to be hereto affixed, all thereunto duly authorized and acting, the day and year first above written.

SOUTH CAROLINA GENERATING COMPANY

ATTEST:
(SEAL)

(Sgd.) R. E. Lide
Secretary

By (Sgd.) F. R. McAdden
President

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ATTEST:
(SEAL)

(Sgd.) L. F. Pearce
Secretary

By (Sgd.) J. M. Costello
Vice-President

THE FIRST NATIONAL BANK OF SOUTH CAROLINA OF COLUMBIA

ATTEST:
(SEAL)

(Sgd.) W. W. Bruner
Cashier

By (Sgd.) Thomas J. Robertson
President